هكذا من الأصل

FINANCIAL TIMES

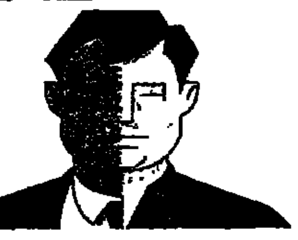
World Business Newspaper

MONDAY OCTOBER 30 1995 D8523A

Start the week with...

South Africa
Business and the need for consensus
Interview, Page 9

Samuel Brittan
Adam Smith and human nature
Page 16



Still far to go
Race in the US workplace
Management, Page 10

intel

Pentium Pro
Are Intel's high hopes justified?
Page 19

Ban on Russian reform party may undermine polls

Russia's Central Electoral Commission dealt a blow to the country's democratic movement yesterday by barring the country's leading reformist party from the December 17 parliamentary election. The commission said the Yabloko party – Russia's most popular after the Communists – had breached technicalities by dropping at least six candidates from its list without asking their permission. The move could provoke a boycott of the ballot. Page 18

300 die in subway fire: About 300 people were killed and 270 injured in Baku, capital of the former Soviet state of Azerbaijan, when a packed underground train caught fire between stations. Rescuers feared the toll could rise. Page 3

Trader abandons extradition fight: Briton Nick Leeson has abandoned his fight against extradition from Germany to Singapore, where the former derivatives trader faces charges that he hid losses that brought down UK merchant bank Barings. Page 18

Pakistan devalues: The Pakistani government devalued the rupee by 7 per cent, increased fuel prices and raised duties on many imports. The changes come after negotiating difficulties with the International Monetary Fund. Page 4

France targets foreign electricity projects: French oil group Elf Aquitaine is to link with state-owned utility Eléctricité de France to develop electricity generation projects abroad. Page 19

Canadian banks act over Quebec poll

Canada's six biggest banks are taking steps to avert any possible flight of capital from Quebec if pro-independence supporters win today's referendum on the issue. Up to 5m Quebec voters are due to indicate whether they think the province should secede from Canada. Quebec Liberal leader Daniel Johnson (above) campaigned to the last minute against independence. Page 18 ; Global investor, Page 22

Lloyd's to make offer to lossmakers: Lloyd's of London is to make an offer to those who have made losses as Names – the traditional supporters of the insurance market. They will be offered a potentially cash-generating stake in Equitas, the company being set up to take over liabilities on old insurance policies – mainly US pollution and asbestosis claims. Page 6

US machine tool orders surge: Strong overseas demand boosted orders for US-made machine tools by 39 per cent between August and September. September orders totalled $483.9m compared with August's $347m.

Pakistan violence: At least 11 people died in Karachi in weekend violence sparked by the death in custody of a suspected Pakistani militant.

Anglo-French air force move: French president Jacques Chirac and UK prime minister John Major will inaugurate a new Anglo-French air force command today. Page 6

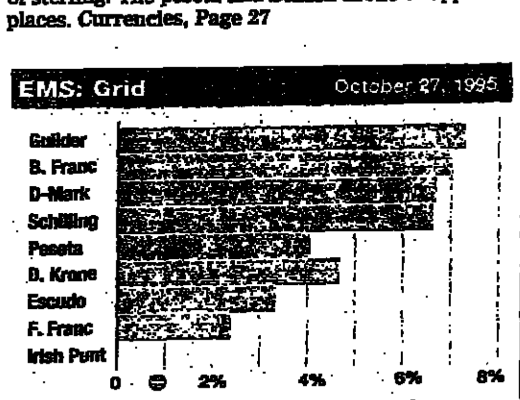
Algeria bombing kills 8: At least eight people were killed and more than 80 wounded when a bomb exploded in Rouiba, just east of the Algerian capital. The blast came two weeks before an election which Moslem rebels have pledged to wreck.

Oil tanker runs aground: A Norwegian tanker carrying more than 112,000 tonnes of crude oil ran aground near the south Wales port of Milford Haven. Attempts to refloat it will be made today.

Storm lashes Philippines: A tropical storm swept across the Philippines killing nearly 100 people and forcing 80,000 others to leave their homes. Two passenger ferries sank and sugar plantations in Visayas region were ravaged.

European Monetary System: The range between strongest and weakest currencies in the EMS grid fell slightly last week after sharp rallies from the Italian lira and French franc at the D-Mark's expense. The Irish punt slipped further adrift at the bottom, dragged down by the weakness of sterling. The peseta and Danish krone swapped places. Currencies, Page 27

EMS: Grid October 27, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Admission follows Moody's downgrading ■ Beijing stresses it guarantees state debts

Chinese banks suffer 20% bad loans

By Peter Montagnon, Tony Walker and Martin Wolf in Beijing

Problem loans at China's four large commercial banks stand at 20 per cent of total advances, but less than 2 per cent of them are irrecoverable, says Mr Dai Xianglong, the country's central bank governor.

In an interview, Mr Dai moved to counter recent adverse publicity about the creditworthiness of China's "big four" commercial banks, which are burdened by loans to lossmaking state companies. He provided previously unpublished details of the sector's problem loans.

The central bank governor also attempted to ease foreign fears by giving an explicit undertaking that the government guaranteed the debts of the state-owned commercial banks. This commitment was backed by China's official foreign exchange reserves which stood at $70bn with a further $50bn in foreign currency deposits.

Mr Dai's remarks reflect Chinese sensitivity over the recent downgrading of the credit ratings of the big four commercial banks – Industrial and Commercial Bank, Bank of China, Agricultural Bank, and Construction Bank – by Moody's Investors Service, the credit-rating agency.

Mr Dai, who said he was "shocked" by the Moody's downgrading, said "bad loans" totalled 70bn yuan ($8.6bn) out of the Yn3,600bn in obligations to the commercial banks. In addition, 7 per cent of loans were "problematical" which meant that, while interest payments were current, principal repayments were more than three years overdue.

A further 11 per cent of loans were of concern because enterprises were a year or more behind in repayments. Mr Dai said a portion of the 7 per cent of loans that were more than three years overdue would have to be written off, but he could not provide an estimate.

Independent estimates of problem loans had ranged between 20 per cent and 30 per cent of the loan portfolios of China's big state-owned banks, which, until recently, had been obliged to lend to the state sector virtually regardless of the ability of borrowers to service their debts.

The vast bulk of "problem" loans – China does not as yet use international classifications for bad loans – are attributable to heavily-indebted state-owned enterprises, at least a third of which are chronically in the red.

Mr Dai, who was appointed governor of the People's Bank in June, said Moody's had "largely underestimated" the performance of the specialised banks, and had "misunderstood" the nature of these Chinese institutions.

"Although they are commercial banks, they are primarily state banks, to which the state provides guarantees," he said. "That is to say, the state guarantees their repayment ability, financial health and capital adequacy.

"The state pays much attention to them," he added. "Therefore, when doing the ratings, you cannot treat them completely as if they were private commercial banks."

In April, Moody's downgraded to Baa1 from A3 the long-term debt of the four banks which dominate Chinese banking. Moody's said at the time the downgrading reflected the credit implications of China's intention to transform its specialised banks into commercial institutions. In August, the credit agency provided further dismal news for China's specialised banks when, on a newly-introduced scale of A to E designed to gauge the banks' independent financial strength, it awarded the Bank of China a D, and the three other Chinese majors an E-plus.

Mr Dai said the government was providing a reserve fund to cover the build-up of state enterprise bad debts in the banking system by allocating 0.8 per cent of total loans this year. The proportion would grow to 0.9 per cent next year and one per cent in 1997. He said the banks would also be obliged to contribute additional reserves out of their profits to cover bad debts.

Peace negotiator says Moslem volunteers should not stay after peace deal

US wants foreign fighters to leave Bosnian army

By Quentin Peel in Washington

Moslem fundamentalist volunteers fighting with Bosnian army forces against the Bosnian Serbs should leave the country as part of any peace deal, said Mr Richard Holbrooke, the chief US peace negotiator.

He also promised that the proposed Nato-led peace implementation force (Ifor) in Bosnia would punish any violations of an agreement even-handedly. He was speaking only days before peace talks between Bosnia, Croatia and Yugoslavia are due to start on a US Air Force base at Dayton, Ohio.

"We don't think that fundamentalist freedom fighters should remain in Bosnia after the peace settlement," he said in an interview.

He declined to identify where the fighters might have come from, but was clearly referring to recent reports of clashes between foreign volunteers and British peacekeepers.

Mr Holbrooke's public concerns follow complaints by the British government of threats against its soldiers in the region.

He also expressed his concern at the refusal of the Croatian government to rule out the use of force in retaking Serb-occupied eastern Slavonia after talks brokered by US and European mediators were postponed again at the weekend.

All three sides in the Yugoslav conflict have come in for strong criticism in the US media in the run-up to the peace talks. New evidence of mass executions by Serb forces in Bosnia was given extensive coverage in the weekend press, as were reports of fundamentalist Moslems threatening British troops.

Mr Holbrooke warned that all parties to the talks appeared to be hardening their positions before they started. He expressed considerable caution about the chances for a complete peace agreement, but insisted that only with such a deal would US forces be deployed in Bosnia.

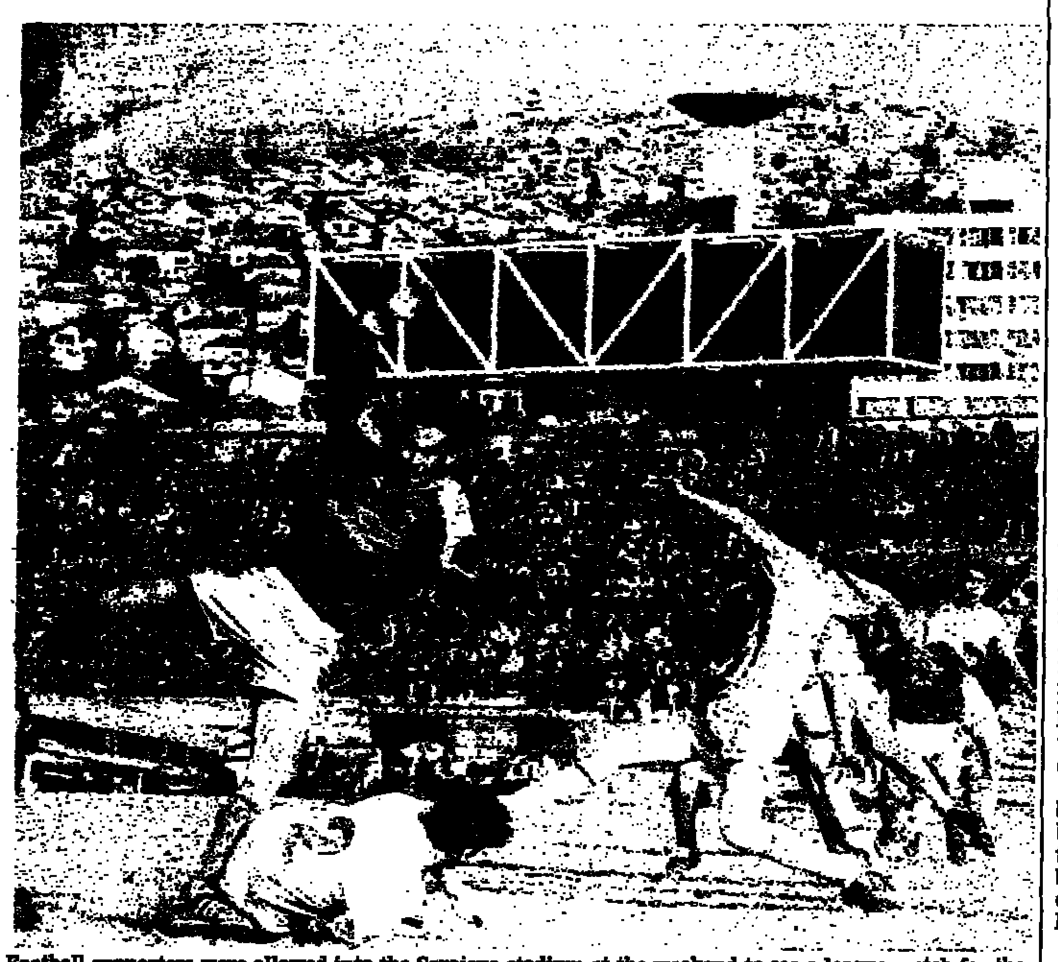
"We have barely scratched the surface," he said. "We will make as much progress as we can, [but] we are not setting out as a benchmark 100 per cent success."

Mr Holbrooke said the aim of bringing the presidents of Serbia, Bosnia and Croatia to Dayton, where talks will be co-chaired by the US, Russia and the European Union, was to put them under maximum international pressure.

With continued sporadic violations of the current ceasefire still being reported, Mr Holbrooke said that Nato air power could and would be used if necessary, even during the peace process.

● General Pavel Grachev, Russia's defence minister, confirmed yesterday that he and his US counterpart Mr William Perry agreed on changes to the treaty on Conventional Forces in Europe. The changes cut the size of the areas in south-west and north-west Russia where Moscow's armour and artillery are restricted.

US sets out to give peace its best shot, Page 2



Football supporters were allowed into the Sarajevo stadium at the weekend to see a league match for the first time since the Bosnia ceasefire agreement. Members of the Travnik team, in yellow, fight for the ball against the red-shirted Sarajevo players. In the background is the hill from which Serb forces targeted the city during the war. Photograph: Reuters

Peru and banks in deal over $10bn debt

By Sally Bowen in Lima and Lisa Bransten in New York

Peru and a group of its commercial bank creditors have agreed to repackage more than $10bn of the country's debt and arrears in the last big Latin American "Brady-style" deal.

The accord allows for a discount of some 45 per cent on the overall sum owed and includes substantial relief on interest, Peruvian officials said.

Mr William Rhodes, vice chairman of Citibank, which heads Peru's committee of commercial banking creditors, said he was pleased to have virtually completed Latin American debt restructuring talks sparked by Mexico's warning in 1982 that it would not be able to meet its debt-servicing obligations.

"I think it's good for Peru because it will allow them to go back into the [international capital] markets, and it's good for the banks because it ends a long chapter in debt restructuring," he said.

President Alberto Fujimori,

Continued on Page 18
Deal to help expanding economy, Page 5

Mediobanca spends $156m on 10.7% stake in Ferfin

By Andrew Hill in Milan

Mediobanca, the Milan merchant bank, claims to have put Ferruzzi Finanziaria (Ferfin) out of reach of a hostile takeover bid by buying a 10.7 per cent stake in the Italian holding company.

Mediobanca told shareholders at Saturday's annual meeting that it had spent L250bn ($156m) buying the stake last week.

The purchase is a reminder to potential rivals that for audacity, speed and financial muscle, Mediobanca is still the pre-eminent Italian merchant bank despite recent setbacks.

It is not yet clear who sold stock to Mediobanca, which now holds more than 11 per cent of Ferfin's shares. With its traditional allies, the bank controls more than 35 per cent of the holding company, which in turn owns 30 per cent of the Montedison industrial group.

Rival banks, grouped around Istituto Bancario San Paolo di Torino, Italy's biggest bank and Ferfin's largest shareholder, own just over 22 per cent. That is the legacy of the rescue of Ferfin and Montedison in 1993, when creditor banks converted their loans into equity, under pressure from Mediobanca. San Paolo indicated last week it would welcome a full bid for Ferfin.

But Mr Vincenzo Maranghi, Mediobanca's chief executive, told shareholders on Saturday: "We have invested in Ferfin because we believe in this business... I hope that this group, whose rescue involved so much sacrifice by the banking system, will not end by being broken up, or worse, falling into the hands of some adventurer."

Consob, the stock market watchdog, must now decide whether last week's frenzied trading resulted in a change in control of Ferfin, and triggered a public bid. Mr Maranghi denied the manoeuvring amounted to a creeping takeover.

Mediobanca's action underlines the importance of Ferfin and Montedison to Mr Enrico Cuccia, the bank's 87-year-old honorary chairman. He was the brains behind Montedison's founding in the early 1960s, and has played an important role in almost every episode of its history.

The most recent attempt to put Ferfin and Montedison into safe hands, through a merger with Gemina, the investment company controlled by Mediobanca and its allies, seemed to have foundered on heavy losses discovered at Gemina subsidiaries.

The "SuperGemina" deal was postponed on Monday, to the relief of the market, at the same time as Ferfin announced a L1,035bn rights issue.

But Mr Maranghi said that the SuperGemina plan was still valid and he hoped market conditions would allow the companies to revive the merger.

In the three days after the rights issue news, Ferfin's shares rose sharply, falling back on Friday after traders guessed Mediobanca had reinforced its hold over Ferfin and Montedison. The market was alive with speculation last week that San Paolo and its allies were lining up foreign bidders for Ferfin.

CONTENTS

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr230	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)		Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50		Es230	Turkey	L60,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

 No 32,819 Week No 44
LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · LOS ANGELES · TOKYO

German opposition leader urges single currency delay

By Wolfgang Münchau in Frankfurt

Mr Rudolph Scharping, the German opposition leader, yesterday called for a delay in the introduction of a single currency beyond 2000. He said the government should take a tougher stance on European monetary union to protect German interests.

His radio comments match those of Mr Gerhard Schröder, his leading rival inside the Social Democrat party, who will strongly hint in today's issue of the magazine Der Spiegel that he will press the party *to make European monetary* union an issue in the 1998 German federal elections.

Mr Schröder, prime minister of Lower Saxony, appears to favour a delay in the introduction of a single currency until a sufficient number of countries can join. He said he expected controversy over the issue, but added: "We Social Democrats have finally found a *national issue.*"

His comments and those of Mr Scharping mark a shift in party policy, which has previously been broadly, if unenthusiastically, committed to the single currency and the Maastricht timetable.

The single currency has become an emotive issue among the German public, with two-thirds saying they are opposed, according to polls. Mr Scharping appears to calculate that opposition to early introduction of the single currency *could rekindle his popularity* and the party's support.

Mr Schröder, who is on the *right wing of the SPD, is con*sidered by some colleagues to be a better candidate for chancellor in the *1998 federal elec*tions. The internal debate over the party leadership intensified last week after its poor performance in the Berlin elections on October 22.

Mr Schröder, whose state is one of the large shareholders in Volkswagen, a large exporter to southern Europe, has said before that monetary union is undesirable without the participation of Italy.

This view is increasingly shared by *German industrial*ists, who fear a loss of competitiveness in some of Germany's most important European export markets as a single currency of a hard core of five or six member states appreciated against the currencies of those on the outside. Ironically, other German Emu-sceptics, especially among the country's *banking and monetary estab*lishment, regularly express the opposite fear of a single currency *that is too weak.*

Mr Theo Waigel, finance minister, last week added to the debate about the Maastricht timetable, saying it depended on the ability of EU *countries* to fulfil the criteria. The Maastricht treaty, however, does not envisage such flexibility, and explicitly defines January 1999 as the latest date for the start of the final stage of Emu for countries meeting the criteria.

The increasing erosion of a national consensus on the single currency also became apparent when Germany's six leading economic institutes last week called for a more flexible interpretation of the Maastricht criteria.

Mr Hans Tietmeyer, Bundesbank president and one of the loudest advocates of strict *interpretation, retorted:* "When the German economic institutes called for a flexible inter*pretation of the fiscal criteria,* this was met with a justifiable protest by the German public."

Speculation growing that Kremlin entourage is taking control

Concerns over Yeltsin's power

By Chrystia Freeland

The recent flurry of diplomatic and domestic initiatives by the Russian government – including yesterday's decision to exclude the most popular *reformist party from compet*ing in December's parliamentary elections – has high*lighted* concerns over who controls the Kremlin during President Boris Yeltsin's convalescence in hospital.

Since his mild heart attack on Thursday Mr Yeltsin has remained secluded in a hospital bed. But Russia's defence minister *has* agreed with Washington to deploy Russian troops in the former Yugoslavia, the foreign minister has travelled to Jordan for talks on the Middle East economy, and *electoral authorities have* taken a decision which could lead to a boycott of parliamentary elections.

Officials have hastened to reassure the world that the president – in whom overwhelming political power is vested by the Russian constitution – remains fully in charge.

"The work of the Russian *president's administration* has not been changed at all, despite Boris Yeltsin's illness," *Mr Sergei Krasavchenko,* a presidential aide, said. "There is no information barrier between the Central Clinical Hospital [where Mr Yeltsin is being treated] and the Kremlin."

But other reports have fuelled speculation that the reins of state may have slipped from Mr Yeltsin's hands and into the grasp of his secretive Kremlin entourage.

One source of concern is the *lack of information about* the president's condition. Mr Yeltsin has not appeared in public *since returning from the US on* Tuesday and no pictures of him have been released.

Moreover the president has spent the past four days in nearly complete isolation. Apart from medical staff, Mr Yeltsin's only known visitors *have been Mrs Naina Yeltsin,* his wife, and Gen Alexander Korzhakov, his chief bodyguard. *Mr Yeltsin's political* aides have not been allowed to see their leader.

Yet despite the protective cocoon, the information which has been disclosed has not been encouraging. Official reports over the weekend said doctors had advised Mr Yeltsin to rest fully and not to consider official documents. They *have also said the president* ought to remain under close medical supervision until the *end of November.*

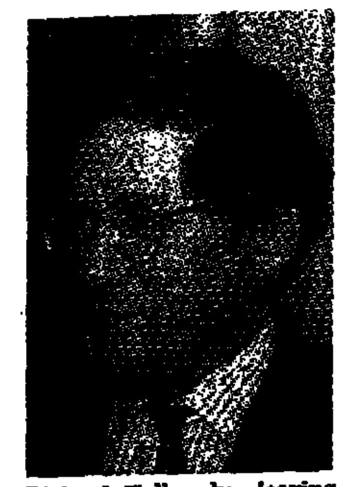
But if Mr Yeltsin is indeed too ill to run the country, who is in charge? According to the Russian constitution, Mr Victor Chernomyrdin, the prime minister, takes over as head of state if the president dies or becomes physically incapacitated. However, no independent body has the authority to *declare the president physi*cally incompetent.

Many analysts suspect that *Mr Yeltsin's illness has shifted* the centres of power in Russia. The key figure may be Gen Korzhakov. A former KGB officer with a largely hidden, but increasingly powerful, voice in the Kremlin, he represents the sort of rule Russians thought they had rejected when they toppled the communist regime.

"Today the economy is being *run by the prime minister,* the security forces are being run by Gen Korzhakov and politics *are not being controlled by* anyone," said Mr Sergei Markov, an analyst at the Carnegie Moscow Centre.

US sets out to give peace its best shot

Planning is meticulous for this week's Bosnia conference



Richard Holbrooke: leaving nothing to chance

Ambassador Richard Holbrooke, chief US negotiator of a peace deal in Bosnia, was not best pleased. Sitting in the back of a New York yellow cab *(someone* forgot to arrange an official car), rushing to catch the *next* shuttle to Washington, he was barking angry orders down his mobile phone to the US State Department.

"Someone has changed the housing plan for the peace conference against my instructions," he said. "They have put *the Yugoslavs in the middle,* between the Bosnians and the Croats. I said the Yugoslavs *should be on the right,* the Bosnians on the left, and the Croats in the middle. I don't care what anyone says. *That is* the way it must be."

In the planning for the talks, which open on Wednesday at the Wright-Patterson US airforce base at Dayton, Ohio, Mr Holbrooke is leaving nothing to chance, if he can help it.

"In these negotiations, I have learned that there is no such thing as a minor change, and no such thing as a minor problem," he says. "I want everything to go according to a set plan. That means the housing arrangements should mirror the seating arrangements at *the table.*

"We are bringing to Dayton the leaders of this conflict. We are going to put them under the maximum amount of international pressure. Carl Bildt [for the European Union] and Igor Ivanov [for Russia] will co-chair this process. The US is going to give it its best shot. If we can't do it, and the region slips back into war, it would be a tragedy."

For Ambassador Holbrooke, *who has spend the past* months tirelessly shuttling between the US and Europe, Bosnia, Belgrade and Croatia in search of an elusive peace, that is the bottom line. Quite how he gets there is another question. The talks could go on for a week or a month, or longer. *No one has set a deadline.* But Mr Holbrooke is not a patient man.

"I am not a patient person. I am very impatient about this process," he says. "These people have been killing each other when they could have settled in another way. . . I don't think patience in the face of war is a virtue."

On the other hand, he is not being over-optimistic. "So far, we have barely scratched the surface," he says. "What we got [at the last Geneva peace talks] was a ceasefire, general *principles, and a sense of* momentum. There was no movement on the core issues, on *Sarajevo, elections and a* future constitution.

"We will make as much progress as we can. We are not setting out as a benchmark 100 per cent success." He knows that in the last days before the talks, all three sides have been hardening their positions. On the other hand, he has criticised them all equally.

"My immediate concern right now is Croatian-Bosnian frictions," he says. "But let no *one think the Serbian side* is settled. The key to success is going to be whether or not [*Serbian President Slobodan*] Milosevic can produce a consensus [between Belgrade and the Bosnian Serbs] that leads to peace."

According to weekend reports in Washington, Mr Holbrooke failed on Friday to persuade the White House to back a temporary suspension of sanctions against Yugoslavia *for the duration of the peace* talks, as a move to demonstrate to Mr Milosevic the advantages of an agreement. He is conscious that the *possible* intervention of the former Yugoslav army, under Belgrade's command, is a constant threat to the peace process, but *so is a move by Croatia to* recapture Serb-held eastern Slavonia.

"The Croats have assured *us* that they will not move while the talks are going on," Mr Holbrooke says. "That gives us at least a month. But the Croats won't renounce the use of force. That may be our biggest problem."

Moreover, friction between the Bosnians and Croats could yet derail the process, which *requires* agreement on a long-term constitution for a single Bosnian state, divided *on federal lines between the* Bosnian-Croat federation, and the Bosnian Serb regime.

If agreement can be reached in Ohio, then the proposed 60,000-strong Nato-led implementation force (Ifor) would be deployed to police both sides.

"The Ifor must be able to operate freely on both sides," Mr Holbrooke says. "If there is a peace agreement, and I stress if, Ifor will implement it, and that implementation will be even-handed." The force commander would be able to call in Nato air strikes to punish vio*lations on any side.*

Mr Holbrooke does not see any contradiction between the US playing a leading role in mediating the peace while at the same time training, and even re-equipping, the Bosnian army. "I don't see anything inconsistent in redressing the arms imbalance while enforcing the peace," he says. "Other *people have equipped* and armed the Serbs."

Quentin Peel

Slavonia dispute dominates Croat poll

By Laura Silber in Zagreb

Croats voted yesterday for a new parliament, in a ballot that was *expected* to strengthen further the grip of the nationalist ruling party of President Franjo Tudjman.

But the poll, which has been *questioned by western observ*ers with regard to its democratic credentials, was overshadowed by the continuing failure of efforts to resolve the *status* of eastern Slavonia, a Serb-held territory which Zagreb has threatened to *retake by force.*

In addition, the fact that ethnic Croats from Bosnia were allowed to take part in yesterday's ballot was a further blow to the fragile partnership between Croats and Moslems in the neighbouring republic.

Yesterday's election was called a year early to capitalise on popular support for President Tudjman after the recent rout of rebel Serbs from *most of the areas they had* controlled since the 1991 war.

Mr Tudjman said he expected *his Croatian Democratic* Union (HDZ) would take more than two-thirds of the 127 seats in the Sabor, the Croatian parliament, which will enable him to pass several constitutional amendments.

Independent observers have sharply criticised a electoral law bulldozed through the existing, HDZ-dominated, parliament. The amendment reserves 12 seats for Croats outside the country. It also makes eligible to vote some 380,000 members of the Croatian diaspora, over 80 per cent of whom are Bosnian Croats from western Hercegovina, a nationalist stronghold.

"Reserving almost 10 per cent of all seats to people liv*ing permanently outside of a state is unprecedented,*" said a report from the National Democratic *Institute, a Washing*ton-based organisation.

At the same time, the *180,000 Serbs* who fled the August offensive will have no chance to vote.

There is little difference on the question of minority rights between the HDZ and the *country's main opposition* parties, none of which has criticised the widespread campaign against civilians in the newly reoccupied areas, which has *included killing and looting.*

"Today Serbs in Croatia have two choices – either to *assimilate or emigrate,*" said Prof Milorad Pupovac, who is standing for one of the three seats earmarked for Serbs in Croatia.

Mr Leslie Campbell, NDI field officer, said: "There are many Croats who have never been in Croatia, who certainly have never lived in Croatia and whose parents and grandparents have never lived in Croatia, they can vote. Yet Serbs who are citizens of Croatia, if they fled Croatia, cannot vote."

UN officials *yesterday* reported shelling near Dubrovnik, the Adriatic resort, by *Bosnian Serbs just over the* Dalmatian hinterland in apparent retaliation for a Croatian advance against Serb-held towns in Bosnia.

● Harriet Martin adds from Sarajevo: Bosnia's Moslem-led government yesterday expressed concern over the fact that residents of Bosnia-Hercegovina – especially in Croat-dominated *areas such as* the western half of the divided city of Mostar – were voting in the Croatian ballot.

Mr Mirza Hajric, a Sarajevo government official, said: "By voting, you are electing a representative for a constituency. If you vote from Mostar, what constituency does the person you vote for represent?

French social security system deficit higher than expected

By John Ridding in Paris

The deficit in the French social security system is expected to reach FFr64.5bn ($13.24bn) this year, higher than previously forecast, according to an official audit committee.

The report by the Commission des Comptes, due to be published tomorrow, confirmed the gravity of the financial problems in the French welfare system. It comes as Mr Alain Juppé, the Gaullist prime *minister, is* preparing reforms aimed at eliminating the deficit by 1997.

Mr Juppé's proposals are due to be presented to the National Assembly in the middle of November. The issue is regarded as one of the most important challenges facing his administration as a reduction in France's deficits is needed to enable lower interest rates and to satisfy the conditions for European monetary union.

According to the Commission des *Comptes, the combined deficit in the* three main branches of the welfare system – healthcare, pensions and family allowances – will be about FFr2.5bn higher than forecast in a July report. The expected total shortfall of FFr64.5bn compares with a deficit of FFr55bn last year.

Mr Juppé has said he aims to cut the deficit to FFr30bn next year and to zero in 1997. Measures are expec*ted to include an increase in the* rate or scope of the CSG, a tax on most forms of income, increased contributions from welfare recipients and spending curbs in hospitals.

The French premier received firm backing last week from Mr Jacques Chirac, the Gaullist president. In what has been interpreted as an important shift away from populist election campaign promises, Mr Chirac said priority must be given to cutting France's deficits and outlined the need for two years of austerity to restore public finances.

Trade unions, however, have *already expressed opposition to* some proposed measures and are threatening actions against social security reforms. The Communist-led CGT and Force Ouvriére, two of the largest unions, are calling for a day of protest on November 14.

Although all the branches of the welfare system are in deficit, it is the health insurance system which accounts for most of the shortfall. *The gap between receipts and* expenditure in the national health insurance scheme is expected to reach FFr36.5bn this year, about FFr1bn more than predicted in July. The increase partly reflects a continued rise in health expenditure, despite government pressure for restraint in prescriptions by general practitioners.

Despite the large deficits, the report pointed to some areas of encouragement. Excluding interest costs, it said deficits in the health and pensions *systems were stabilis*ing, and the family allowances sector was improving.

Small bank's raids on Czech investment funds thwarted

By Vincent Boland in Prague

The Czech Republic's financial establishment has moved to quash an attempt by a small bank to win control of some of the country's biggest investment funds, which own large stakes in newly privatised industry.

Under heavy pressure from the country's big banks and the finan*cial authorities, shareholders in* Plzenska Banka, a small bank based in the Bohemian town of Pilsen, said on Saturday *they had replaced the* bank's management, overturned a planned share increase they did not approve, and begun an inquiry into its activities.

In an unprecedented series of market raids over the past two weeks Plzenska has scooped up shares in the funds and installed its own managers in at least three of them.

Last week it targeted funds managed by Komercni Banka, the *dominant* Czech bank, institutions such as Ceska Sporitelna and Agrobanka, *two other big domestic banks, and* Creditanstalt, the Austrian bank.

Plzenska's move was the biggest *threat yet to the structure of control* of industry after privatisation. The funds were set up to invest in the vouchers-for-shares privatisation programme and now are key shareholders across the spectrum of Czech industry.

Although Plzenska failed to secure *stakes large enough to force changes* at the bank-run funds, its attempt to do so led to an outcry among fund managers. *A shareholder* in a fund can try to change the manager at an emergency general meeting if it owns over 10 per cent of the shares.

The big banks feared they could lose control of their huge share portfolios to a hitherto obscure bank. But the banks were also embarrassed by their predicament. Plzenska's biggest shareholder is Ceska Pojistovna, the giant Czech insur*ance company which they them*selves control.

Plzenska, ostensibly set up to *finance infrastructure projects in the* Pilsen area, held a press conference last Thursday to announce its arrival on the scene as a big fund manager. Officials said it had spent about Kč1bn ($38.5m) on share-buying and had acquired control of funds with underlying asset values of about Kč4bn.

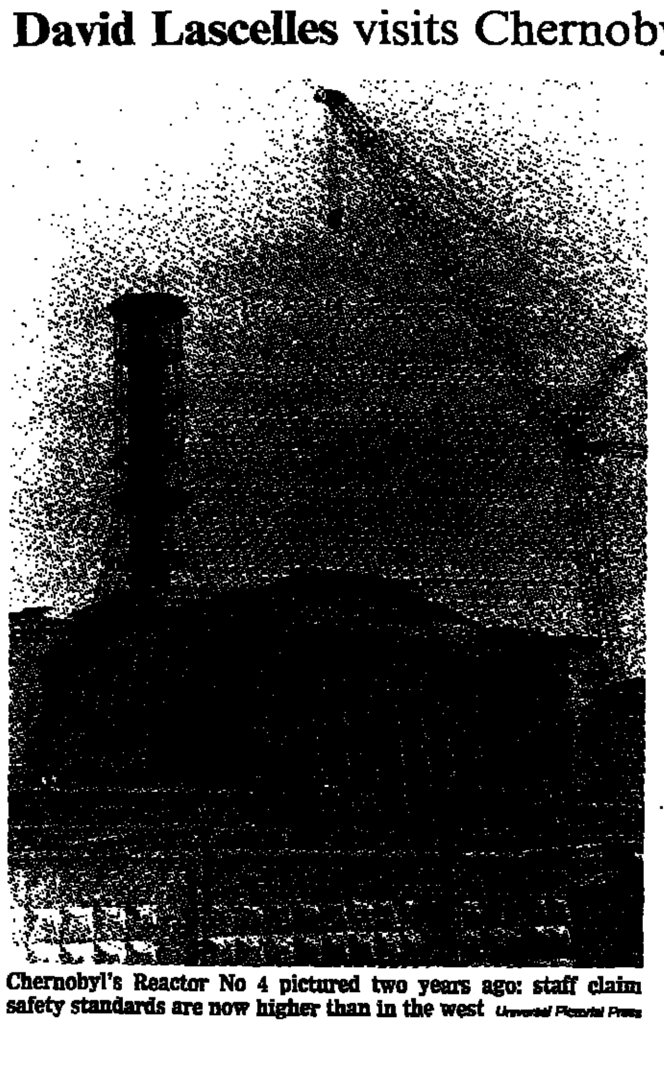
The inquiry into Plzenska's activities is likely to focus on the source *of the money it used to finance* its share-buying spree. Bankers claim it borrowed money on the short-term money markets. Last week they stopped lending to it through the money markets.

Plzenska's executives said they were using money lodged by depositors, and have run a series of newspaper advertisements offering to invest clients' money on the stock market.

The Czech National Bank said yesterday it was analysing the activities *of Plzenska, but said there was* no evidence to suggest the bank had acted illegally.

Journey to centre of world's worst nuclear disaster

David Lascelles visits Chernobyl nearly 10 years after the accident as the west considers a large aid package



Chernobyl's Reactor No 4 pictured two years ago: staff claim safety standards are now higher than in the west Universal Pictorial Press

The vast metal "sarcophagus" encasing Chernobyl's shattered No 4 reactor towered above us in the bright autumn sunlight. We were standing only a few yards from it on a patch of bleak open ground where the contaminated topsoil had been stripped away.

Close by was a cluster of small huts, each covered in a thick layer of lead : protection *for the workers who cleared* the site in the immediate aftermath of the disaster.

Today, nearly 10 years later, the radiation risk is much reduced. We were clad in special white sanitary clothing, with hoods, face masks, and thick rubber-soled boots. Radiation dosemeters were pinned to our chests. The protection felt very thin, but we had been assured that it was sufficient for the visit we were about to make to the depths of the sarcophagus.

Our visit came as the west is considering a multi-billion dollar aid package to deal with the Chernobyl problem once and for all. Ukraine has agreed to shut down the vast complex, where two reactors are still in operation, but only in exchange for money to decommission the plant and build a permanent tomb for Unit 4.

Further talks are due in Kiev this week amid indications that agreement could be reached quite soon. Western officials say they are encouraged by recent progress.

As we approach the sarcophagus, the radiation meters begin to bleep. We had been advised by the UK's National Radiological Protection Board to keep our dose below 500 microSieverts, half the legal *limit for members of the public* visiting a UK nuclear plant.

We enter through a small doorway and file into a cramped room where half a dozen workers are watching rows of screens and dials. This is the radiation monitoring station which receives signals from dozens of sensors around the site. It is also where all workers have to report – and up to 150 come here every day. Far from being an abandoned shell, unit 4 is a busy construction site which employs 600 people.

Artur Korneyev, our guide, is the deputy manager, and he comes on site almost daily. "Soviet radiation is the best in the world," he says with a twinkle as we head off into the depths of the building.

Our journey takes us along cramped corridors and winding stairs of what was the control building for unit 4. Some parts are freshly painted and deceptively ordinary, others still bear the scars of blackened masonry. The walls are festooned with wires and pipes. Special dust suppression devices control the spread of contamination.

We have left daylight behind: *all the windows are boarded up* to contain the radiation. Our way is lit by temporary light*ing, and we sometimes have* to grope our way in near darkness.

Eventually we reach what looks like a vast abandoned telephone exchange: rows of tall electrical boxes, wires ripped out, raw copper dangling to the ground. This was once the computer centre for unit 4.

At the far end we come into a long gloomy chamber with a curved desk running down one side. We are in the control room where the fateful buttons were *pushed on the night of* April 26 1986.

On through more labyrinthine passages, until we find ourselves staring into complete blackness. Korneyev's torchbeam reveals a narrow tunnel sloping away before us: more wires and tubes trail into the gloom. We are now less than 100 feet from the reactor. The tunnel leads directly underneath it.

In that darkness lie hundreds of tonnes of rubble still warmed by the residue of fission products and plutonium. Between us and a fatal dose of radiation *stands the mountain* of concrete which was used to smother the smouldering pile. *A geiger counter bleeps in the* background, but we are within safe limits.

Mr Korneyev swings his torchbeam through a gap in the wall. Dimly we discern a blackened space with more girders and beams. This is the pump room which has become a memorial to the workers who perished in the accident. Some*where below all this debris lies* one worker whose body has never been found: he died trying to restart the cooling pumps.

Quietly, we begin the long trudge back to the sunshine where we examine our dosemeters: *61 microSieverts*, well below the limit.

As we walk to the decontamination room for a hot shower, Korneyev claims that radiation control standards at Chernobyl "are higher than in the west". We ask him about the state of the *sarcophagus*, which western experts say is rickety, and could collapse under the weight of the metal and concrete which is *supposed to* be propping it up. Mr Korneyev says that with proper mainte*nance, it will do the job.*

We hear a similarly defiant message from Mr Sergei Par*ashin*, the manager of the plant. "I tell you, our station is the safest in the world, and premature shutdown is totally unjustified." He thinks Chernobyl could be kept going for another 15 years.

But the Ukrainian government is keeping a *more open* mind. Prime Minister Evhen Marchuk reassured western *officials earlier this month* that Ukraine was no longer asking for $4bn (£2.5bn) but it does need help to decommission the plant and provide alternative power sources.

Although western governments want to avoid setting a *precedent for all of* east Europe's shaky reactors, they accept that Chernobyl is special. Independent experts have advised them that the plant and sarcophagus are in poor shape. The coming anniversary will also attract a torrent of publicity, *adding to* political pressure for action.

All this makes it likely that some kind of rescue package will be forthcoming, possibly by the year-end.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: *The Financial Times (Europe)* Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The *Financial* Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet *International*). ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297 0621, Fax (01) 4297 0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

Amman summit seeks to underpin peace deals

Mideast development bank set for go-ahead

By David Gardner and Julian Ozanne in Amman

The creation of a Middle East and North Africa development bank, capitalised at \$5bn (£3.1bn), is set to be announced tomorrow at the regional economic summit in Amman, amid continuing differences between the US and the European Union on the need for a new institution and who will fund it.

The decision to set up the bank, with headquarters in Cairo, is contained in the draft summit declaration, along with agreements to establish a regional business council and a Middle East tourism board, both of which were finalised yesterday. An existing EU-backed unit promoting regional integration of trade, infrastructure and financial markets, will be a permanent institution in Amman.

At the opening of the summit yesterday, Mr Warren Christopher, secretary of state of the US, the main international supporter of a regional bank, said, "The bank's establishment is a major milestone."

Egypt, Israel, Jordan and the Palestinian self-rule administration, all of which have reached peace agreements which the summit is to underpin economically, want a regional bank, both as a symbol of political co-operation and to channel funds into cross-border infrastructure and private-sector modernisation. Oil-rich Saudi Arabia and the United Arab Emirates are reticent, fearing they will be called upon to capitalise the bank.

Additional resources are needed, said Ms Rima Khalaf, Jordan's planning minister, "in order to make this region a region".

However, all but three European Union members - Italy, the Netherlands and Ireland - believe the case for a new bank has not been demonstrated. They say financial institutions last year channelled over \$3bn into regional development and infrastructure projects. The EU majority instead wants a financial intermediation organisation which would identify viable projects and mobilise funds from multilateral institutions.

An EU amendment taken into the draft declaration yesterday means that negotiations on such a facility will continue after the December 31 target date for settling arrangements for the new bank - and that EU states such as Germany, the UK and France may stay out of the bank for the time being.

The EU plans nearly to double aid and soft loans to the region to around \$13bn to the end of the decade, as part of the Euro-Mediterranean partnership it hopes to finalise at an EU meeting with 12 countries from the region in Barcelona next month.

Only a quarter of the bank's \$5bn capital would be paid-in, with the rest in callable shares, enabling the bank to support lending of around \$1bn a year.

Jordan, as host, was already doing well out of the summit yesterday, wrapping up loans including: a \$151m Japanese Eximbank loan, the majority as co-financing of a new \$135m IMF facility for the kingdom; an \$80m World Bank loan, also with a Japanese \$80m co-financing which Italy, too, may support with \$12m; and the renewal of medium-term export credit for Jordan by Britain.

Africans map road to investment

After three days of haggling over the future of foreign investment in Africa, representatives from the continent's stock exchanges turned a Mauritian beach into a disco to celebrate a gathering that had attempted to show they were serious about securities.

The annual meeting of the African Stock Exchange Association, which ended at the weekend, and an accompanying conference, "The Liberalisation of African Capital Markets", attracted brokers from Singapore and India, UK bankers and representatives from the continent's 16 bourses. Apart from a scrap on where to hold the next Asea annual meeting, which was won by Egypt at the expense of Nigeria, the participants were lectured on how to attract companies for listing; the role of merchant banking in Africa; and tapping international capital markets.

An official from Zambia claimed his country had little to learn about stock markets. He complained that his 18-month-old stock market had done all that was required to attract foreign investment but had seen few rewards.

But a London banker was not impressed.

"Ah yes," he said, "but maybe a fund manager would look at Zambia if and when Zambian Consolidated Copper Mines is privatised. That will go a long way to not only creating liquidity, but also a big issue such as that will attract investors to other Zambian listings."

Specialists from South Africa, still the only sub-Saharan country with a big bond market, were on hand to spell out how other countries could establish a market for long-term debt.

As the Johannesburg stock exchange is not only the biggest on the continent but one of the world's largest, it was bound to dominate proceedings. But Mr Roy Andersen, its executive president, suggested that South Africa did not seek to dominate but to learn. "After all, there are things we could learn from other African markets, say, about privatisation listings, and investor education."

Mr Andersen was elected chairman of the Asea, a title reviewed annually. He said that over the next year it would attempt to monitor African bourses' performance on issues such as settlement and clearing.

He dismissed calls by Mauritius for the creation of a single regional stock market for southern Africa as "premature". "We can't even think of a regional exchange when some countries still have exchange controls."

For some countries, the debate over trading rules and clearing was less pressing than an unstable political environment.

There was no delegation from the Ivory Coast, which held an election earlier this month, while Nigeria's campaign to host next year's gathering foundered after many delegates objected to a conference held in Nigeria given its current political instability.

As he left the disco on the last evening, Mr Jimnah Mbaru, the outgoing chairman of Asea and current chairman of the Nairobi stock exchange, admitted that winning the confidence of foreign investors would be more difficult than dancing in the sand.

"We have a long road ahead but at least we all realise now there are no short cuts, so we just have to get on and make the necessary changes as fast as we can if we are to be taken seriously by international investors."

Joel Kibazo

Iata meets to share financial worries

By Michael Skapinker, Aerospace Correspondent

When International Air Transport Association members gather in Kuala Lumpur today for their 51st annual meeting, their greatest source of satisfaction will be that they all travelled using tickets which look the same.

In the 50 years since Iata was founded at a meeting in Havana, its biggest achievement has been to create a common language for aviation, says Mr Pierre Jeanniot, director general. The language he refers to is not English, but the common procedures for air travellers all over the world.

Last year, Iata airlines carried 1bn passengers on scheduled services for the first time. But the association, which represents airlines worldwide, meets at a time of concern for the financial health of its members.

Iata airlines last year made a collective net profit of \$1.8bn (£1.1bn) on scheduled international services - their first profit since 1989. But this represented only 1.6 per cent of revenues, way below the 7 per cent Iata regards as necessary for airlines to secure their future.

Mr Jeanniot is also concerned about airline debt levels. Last year, collective airline debt represented 71 per cent of equity. This was an improvement on the 76 per cent of 1993, but is still far higher than the 50 per cent levels of before the 1970s oil shocks.

The association is also concerned about members' safety record. While airline travel is relatively safe, there were over 700 fatalities from accidents involving western-built jets last year. With air traffic growing quickly, accident levels will double in 10 years unless steps are taken to reduce it.

Iata will this week begin agreeing changes to the Warsaw Convention, which limits compensation to accident victims and their families. Mr Mark Franklin, partner in the London law firm Frere Cholmeley Bischoff, who has been advising Iata, says limits will be removed and compensation be based on the level appropriate in the victim's country of domicile.

INTERNATIONAL NEWS DIGEST

Baku subway fire kills 300

More than 300 people were killed and up to 250 injured over the weekend when a fire broke out in the subway of Baku, capital of the oil-rich Transcaucasian republic of Azerbaijan. Police attributed the blaze to a spark from a high voltage cable, but some observers suggested it could have been set off intentionally. Over the past 18 months 20 people have died and dozens been injured in two bomb attacks on the Baku underground. No one has claimed responsibility, but government officials have blamed the political opposition.

Officials expected the death toll to rise in the aftermath of the fire, which broke out on Saturday night. Rescue workers said efforts to evacuate passengers from the five burning train cars had been hampered by thick smoke which initially made it impossible to enter the tunnel. Train service resumed early yesterday and today and yesterday were declared days of national mourning. *Chrystia Freeland, Moscow, and Agencies*

Islamic militants vow vengeance

Militants from Islamic Jihad yesterday vowed serious retaliation against Israel after the assassination in Malta last Thursday of the group's leader, Dr Fathi Shkaki. "This horrendous crime will make every Zionist wherever they are on the face of this earth a target," the extremist Islamic organisation said in a statement yesterday. The Damascus-based group, which is violently opposed to the Israel-Palestine Liberation Organisation peace deal, has been responsible for several suicide bombings in Israel in the past year. While Dr Shkaki, whose body was not identified until Saturday, was a wanted man by Israel, it has not claimed responsibility for the murder. However, Israeli leaders including Mr Yitzhak Rabin, the prime minister, have welcomed his death.

Mr Shimon Peres, Israeli foreign minister, said the murder should not impede the peace process. However, Palestinian groups from across the political spectrum condemned the killing. The PLO yesterday called for restraint, saying that attacks against Israel would only delay expansion of PLO authority in the West Bank. *Mark Dennis, Jerusalem*

Malan arrest warrant warning

South Africa's right-wing Freedom Front warned yesterday that a "serious crisis" could be set off by the decision to issue warrants for the arrest of South Africa's former defence minister, Gen Magnus Malan, and 10 retired senior military officers. The decision, revealed this weekend, will revive the passionate debate about how the government handles one of the most sensitive and controversial issues on its agenda - bringing to justice the perpetrators of political assassinations during apartheid.

The warrants, the subject of weekend talks between President Nelson Mandela and his deputy, Mr F.W. de Klerk, are in connection with the murder of 13 people in Kwa Zulu Natal seven years ago. The order for the arrests follows months of investigations into allegations that military and police officers conspired with members of Chief Mangosuthu Buthelezi's Inkatha Freedom party to attack the movement's political opponents. *Michael Holman, Johannesburg*

Andes gas customer pulls out

TransGas, one of two consortia planning rival pipelines to bring natural gas over the Andes from Argentina to Chile, has lost one its its three big customers. Entergy of the US confirmed on Friday that it was pulling out of the project. The \$690m (£438m) pipeline needs firm contracts to transport gas for at least three power plants, taking up to 6m cubic metres of gas a day, in order to go ahead.

However, Tenneco of the US, which leads the consortium together with British Gas, claimed it had other potential customers interested and was in talks with one of them. It expected the project to continue on schedule, but the deadline to finalise contracts with the two existing clients, both US companies, is likely to be put back from end-October to mid-December. Analysts of the local market believe there is enough demand for only one pipeline, and for four new gas-fired power plants over the next four or five years.

The rival pipeline project, GasAndes, is led by NovaCorp of Canada with Chilean partners. *Imogen Mark, Santiago*

Slow European growth forecast

Europe's biggest economies face slowing growth until 1997 at least, said a report published today by consultancy DRI/McGraw Hill. Government tax increases to combat budget deficits will leave growth in 1996 at 2.4 per cent, compared with 2.7 per cent this year and 2.9 per cent last year.

German real GDP will grow 2.4 per cent in 1996, with growth in western Germany only 1.8 per cent, says the report. This will leave the Bundesbank with "room to cut interest rates" which would encourage a recovery in growth rates in 1997. France "is suffering from the worst of all worlds" with high interest rates, rising taxes and a strong currency. "It needs relief on at least one of these fronts if the expansion is not to stall". Italy is relying heavily on raising revenue in its effort to control public finances. The resulting squeeze "will not do the economy any favours," says the report. GDP growth will slow to 2.4 per cent in 1996. UK exports will be hit by slower growth in the rest of Europe. *Daniel Green, London*

NEWS: ASIA-PACIFIC

Pakistan rupee devalued 7%

By Farhan Bokhari in Islamabad

The Pakistani government has devalued the rupee by 7 per cent, raised domestic fuel prices and increased duties on many imports in an effort to encourage exports and increase government revenues.

The policy changes follow difficulties in negotiations with the International Monetary Fund, which suspended an economic restructuring programme last year, and a doubling of the trade deficit in the quarter to the end of September.

Mr V.A. Jafarey, the prime minister's special adviser on finance, said on Saturday the government was concerned that Pakistan's exports had stagnated, including cotton exports, which he said accounted for more than 60 per cent of the total.

Concern has also mounted over the country's foreign reserves, which fell to $2.28bn (£1.45bn) in September from $3.88bn a year ago.

Mr Jafarey announced a new "temporary" duty of 10 per cent on all dutiable imports, but said the maximum tariff on any item would not exceed 65 per cent. A 5 per cent duty was also imposed on non-dutiable imports, except wheat, fertilisers and large power generation plants.

However, the government said the new measures would not affect the duty-free exemptions allowed in treaties with foreign governments or in contracts with foreign companies.

Mr Jafarey argued that these measures had become essential because Pakistani exporters had been hurt by the depreciation of currencies by countries competing against Pakistan in world markets. He cited the example of India, where he said the Indian rupee had been devalued by 14 per cent in four months.

The measures are expected to intensify popular pressure on the two-year-old government of Ms Benazir Bhutto, who is facing criticism over rising prices. The inflation rate was an annual 12.5 per cent in September and the rate will be pushed higher by a fuel tax increase of 7 per cent.

Mr Zahid Zaheer, Secretary General of the Overseas Chamber of Commerce and Industry, the largest representative body of foreign businesses operating in Pakistan, said the measures will have "a tremendous inflationary impact".

Tigers face loss of Jaffna

Mark Nicholson and Mervyn de Silva report on the war in Sri Lanka

The Sri Lankan army this weekend appeared poised for an all-out attempt to recapture the strategic northern town of Jaffna from fighters of the Liberation Tigers of Tamil Eelam, who have controlled the city since they saw off an ill-starred Indian peacekeeping force in 1991. After 14 days of tough and bloody fighting in the army's Operation Riviresa (Sunrise), more than 30,000 Sri Lankan troops are believed to be installed within five miles of Jaffna.

The city – "capital" of what the separatist Tigers claim as the "Eelam", or homeland, for the island's minority Tamil community – sustained heavy shelling again yesterday. Although local press reports are censored and journalists barred from the area near the fighting, diplomats and others suggested there were signs that Tiger fighters might be preparing to leave the city and set up bases in the jungle south of Jaffna.

A Tiger withdrawal or defeat in Jaffna would be a grave strategic, logistical and political blow. They have run the city and much of the northern Jaffna peninsula as a *de facto* mini-state for the past four years. "Jaffna would be a significant loss," said a diplomat in Colombo. "It would make the difference between the Tigers being a territorial, pseudo-government or a guerrilla movement on the run."

For the government of President Chandrika Kumaratunge, by contrast, capture of the strategic prize could be the best – some might say only – piece of good news since she took power in November last year with a 62 per cent vote backing her determination to forge peace with the Tamil separatists.

Having invested so much in engaging the Tigers in peace talks earlier this year, her government lost support and credibility when the Tigers walked out in April. "It looked to many people that she'd been duped," said one diplomat.

Since April, though, Mrs Kumaratunge's administration has hardened its approach. Operation Sunrise is the second heavy military assault in the north since summer. And her strategy has now evolved into a two-track process; to hurt and weaken the LTTE in Jaffna militarily, while continuing to push her government's recent set of proposals to address the Tamils' demands for a separate state by turning Sri Lanka into more of a federation.

The detailed devolution proposals are currently inching through parliamentary committees and will eventually require a two-thirds majority – which Mrs Kumaratunge's party and its immediate allies do not command – and a national referendum. There has been predictable opposition to the proposals from extremist groups and Bhuddist priests within the majority Sinhala community, but Sri Lankan officials maintain there is "basic consensus" for the proposals.

Having already tried talks, and with a far-reaching constitutional "solution" on the table, Sri Lankan officials believe Mrs Kumaratunge has secured at least international sympathy, if not backing, for the assault on Jaffna. Domestically, however, her government's political momentum would now seem to rest on securing Jaffna and demonstrably weakening the Tigers, leaving them no alternative but to return to the negotiating table.

This prize is far from won, however, and most analysts believe Mrs Chandrika and, particularly, her armed forces, will need both nerve and luck in the next days and weeks. The monsoon rains in northern Sri Lanka, which last until after Christmas, have already begun and though military commanders say it will be another two weeks before the heaviest rains set in, analysts believe the army will need to have broken through to Jaffna before then.

So far the military's progress has, in the view of independent analysts, been more successful than in previous campaigns.

Available casualty figures suggest that in the 14 days of fighting the army has lost 126 men with 500 wounded, while taking 500 Tiger lives and injuring 1,500. Indications late last week and over the weekend were that the fighting might be entering its most intensive phase.

Both the government and army are also making much of what they claim is the Tigers' "desperation" in launching brutal massacres on Sinhalese villages in the north and east. More than 30 civilians were hacked to death in the latest incident last Thursday.

The Tigers have not claimed responsibility for these atrocities, but few doubt them to be their inspiration. The strategy appears to be to try and divert army forces from the fighting in the north to protect villages in the east, while also attempting to spark bloody reprisals across Sri Lanka in the hope of burying in violence Mrs Kumaratunge's attempts to build political consensus around her devolution proposals.

INTERNATIONAL PRESS REVIEW

Once-tame media turn on ex-president

SOUTH KOREA

By John Burton

South Korea's once-tame news media are baying for blood in the escalating corruption scandal involving former President Roh Tae-woo and a $650m (£410m) secret political slush fund. But it is still unclear whether the media's bite will be as severe as their bark.

Korean newspapers and television have traditionally shied from criticising and investigating the powerful unless they are already exposed as being vulnerable. Open season has been declared on Mr Roh after his confession on Friday that he amassed the illegal funds, which *Dong-a Ilbo* described as "a national disgrace".

Most leading newspapers said Mr Roh should face a tougher punishment than was meted out to his predecessor, Mr Chon Doo-hwan, who was sent off to a Buddhist monastery in 1988 to do penance for corruption. "The people are unsatisfied with Mr Roh's apology to the nation because this is the second time in a decade they have been betrayed by a former president," *Hankuk Ilbo* suggested.

Joong-ang Ilbo noted that public support was growing for Mr Roh to be stripped of his presidential immunity, which would lead to his arrest and imprisonment if convicted for bribery. This would be an unprecedented action against a former head of state.

Joong-ang Ilbo's view of Mr Roh's apology to the nation

But a true test of press independence will be whether the media now aggressively pursue and expose allegations of political "dirty money" involving other leading politicians, including President Kim Young-sam and the leaders of the opposition parties.

Although the media have escaped the authoritarian controls of the former military governments, their close connections with the political establishment have hampered objective reporting.

Journalism is considered an élite profession in South Korea and most reporters believe their first job is to transmit the views of the authorities to the masses and influence them in a Confucian manner. Frequent recruitment of journalists into politics and the bureaucracy reinforces this attitude.

Moreover, the press has been part of the same corrupt system it is now attacking so zealously in the case of Mr Roh. The passing of white envelopes stuffed with cash to journalists, a practice known as *chongji*, in return for favourable treatment is still widespread, according to a recent survey by the Korea Press Institute.

The result of these pressures "is a wilful timidity and general psychological self-constraint among journalists", concludes a study by Mr Ahn Taik-sup, professor of mass communications at Korea University.

The Korean press has become more outspoken during the present administration of Mr Kim, the country's first civilian president in three decades. A widespread anti-corruption campaign launched by Mr Kim after he took office in February 1993 encouraged the view that government should be opened to scrutiny.

But even as the press began to expose entrenched political corruption, it still appeared to pulling its punches. Consider the example of Mr Roh. Although officials investigated bribery allegations involving defence procurement contracts during Mr Roh's administration, newspapers were reluctant to examine Mr Roh's possible role in the scandal.

Some analysts suggest the press was cautious in tackling the issue because of pressure from the Kim administration, which did not want to alienate Mr Roh, who controls the biggest faction in the ruling party.

The absence of media investigations of Mr Roh was not due to a lack of information. It has become clear in the past week since the slush fund was revealed the media had plenty of damaging evidence on Mr Roh, but were withholding it.

The sluice gates have now been opened. Even the state-run Korea Broadcasting System, which adheres closely to official policy, has been digging aggressively into Mr Roh's past activities.

The viciousness of the media attacks on Mr Roh reflects the frustration and guilt that many journalists have felt about operating under political constraints. For example, one report by *Munhwa Broadcasting Corporation* on the fate of other disgraced national leaders ended, none too subtly, with a shot of Romanian President Ceauşescu's execution.

The Roh slush fund scandal has spread with unprecedented speed for Korea. If the government wanted to keep revelations under control because they threatened to implicate the entire political leadership, it may be too late.

The press has taken to task Mr Kim Dae-jung, the long-time opposition leader, after he admitted receiving $2.6m from Mr Roh during the 1992 presidential election. The *Korea Times* said Mr Kim would have difficulty explaining "how an opposition leader, who had dedicated himself to the restoration of democracy his whole life, could compromise his political principles to accept black money" from "the regimes he fought against".

The next target could be President Kim. The opposition has suggested the president received millions of dollars from Mr Roh's secret fund for his 1992 election. The ruling party has refused to reveal the financial sources supporting the president's campaign.

One cartoon in the Joong-ang Ilbo showed a worried President Kim hurrying back from his trip to the United Nations' 50th anniversary celebration as a weeping Mr Roh made his confession.

Newspaper editorials yesterday called for full disclosure of President Kim's election funds. But whether the press will push the issue is still an open question. If it does so, the Roh slush fund scandal will mark the coming of age for the Korean media as Watergate did for the US press two decades ago.

Dow must pay $4m implant damages

By Maggie Urry in New York

Dow Chemical of the US has been found liable for the first time in a silicone breast implant case, and ordered to pay damages of $3.95m to a woman who said she became ill after having the implants in 1985.

The company intends to appeal against the decision. However if the ruling is not overturned Dow Chemical could face massive liabilities, since it has been named as a defendant in more than 13,000 similar cases.

In May this year Dow Corning, once the largest makers of the implants and owned 50:50 by Dow Chemical and Corning, filed for Chapter 11 bankruptcy to gain protection from lawsuits. That encouraged many plaintiffs to sue Dow Chemical instead, seeking a "deep-pocketed" defendant.

The ruling by the court in Washoe County, Nevada, over the weekend could also encourage participants in a $4.25bn worldwide settlement, agreed by three implant makers, to sue Dow Chemical directly.

Around 430,000 women originally registered for the settlement. They can expect to receive between $10,000 and $250,000 depending on the severity of their illness.

Dow Chemical has always denied liability, on the grounds that it did not make the implants and that it was not responsible for the actions of Dow Corning.

Lawyers for Mrs Charlotte Mahlum, the plaintiff in the Nevada case, argued that since Dow Chemical had tested silicone on behalf of Dow Corning in the 1940s and 1950s it was responsible for its safety.

Dow Chemical's lawyers responded that the testing had been for industrial purposes and not for the use of silicone in implants.

Dow Chemical said yesterday that "the jury was influenced by emotion and misinformation" and that the verdict was "completely at odds with the scientific evidence". The company would defend itself vigorously against each and every law suit.

Until April this year Dow Chemical had had legal protection from the litigation. However, Judge Sam Pointer, a federal judge in Birmingham, Alabama, who oversees all silicone implant litigation in the US and the global settlement, decided that Dow Chemical could be sued.

He said at that time that Dow Chemical's work in testing the silicone could have imposed a duty of care on it, an issue on which courts should decide.

The Nevada jury also awarded $200,000 in compensation to Mrs Mahlum's husband and a hearing is set for today to consider whether Dow should pay punitive damages as well.

The ruling could put pressure on Dow Chemical's share price today. The shares have been under a cloud while the legal wrangling has been going on. They closed on Friday at $70¾, after reporting a sharp rise in third- quarter profits.

Republicans urge Clinton to join budget plan talks

By Nancy Dunne in Washington

Congressional Republicans yesterday sought to lure President Bill Clinton to the negotiating table as senators and members of the House of Representatives prepared to resolve the differences in their two massive budget plans passed last week.

"The president will have to participate, not just stand back and throw rocks," said Senator Don Nickles, a Republican member of the budget committee, on NBC's Meet the Press.

The budget plans lay out a blueprint for moving to a balanced budget in seven years, cutting taxes by $245bn over that period, slashing programmes for the poor and making deep cuts in Medicare, the health care programme for the elderly, and Medicaid, for the poor.

As a result of the tax cut, the deficit will actually rise in the next two years.

A House-Senate conference committee will now try to work out a package capable of attracting a majority in both houses. The final product will be returned to each houses for passage before it goes to the president. Although Republicans control both houses, the majority is slim in the Senate, where five or six moderates have already forced changes unpopular with the more conservative House.

On Saturday, after Senate Republicans passed their budget package by 52-47, the president used his weekly radio address to vow not to bow to "blackmail". The budget bill is attached to a rise in the debt ceiling which must pass next month to keep government operations going.

House Republicans have threatened to let the government default on bonds which come due if the president does not co-operate. This has given the president the high ground as he attempts to portray himself as the resolute defender of the middle class.

Republicans yesterday said their differences with the president could be overcome.

Without White House participation in the House-Senate conference, the process can drag on for weeks. During that time the president is likely to veto several of 13 appropriations bills contained in the broader measures. These vetoes, the White House hopes, will help repair Mr Clinton's image as indecisive.

Peru deal to help expanding economy

By Sally Bowen in Lima and Lisa Branston in New York

Peru managed to complete the deal repackaging its foreign commercial bank debt without ever formally telling its creditors whether it had been buying back its own debt on secondary markets.

It is widely believed, however, that Swiss Bank Corporation has bought debt with an estimated face value of as much as $1.4bn on behalf of the Peruvian government.

That angered creditors, who felt the money should have been used to begin making interest payments on the debt, but it will also have saved Peru more than double the face value of any debt bought by extinguishing the principal and associated interest payments. Nonetheless, the lack of a Brady restructuring deal, named after the former US Treasury secretary Mr Nicholas Brady, had constricted financing flows for Peru's economy, expanding quickly after years of recession, and encouraged the country to the negotiating table.

International banks are eager to increase activities in Peru and the debt deal removes an obstacle from their path. Peru is the fastest growing economy in Latin America. Gross domestic product will expand around 7 per cent this year after hitting 12.9 per cent last year, and continue at a predicted annual 5 per cent until the end of the century.

Access to comparably inexpensive sources of credit is especially important as Peru is privatising companies that will need new funds to finance construction and restructuring.

The debt and debt-service reduction package covers some $4.4bn of principal, while interest on the debt, largely unserviced since 1984, would have brought the present-day total to well over $10bn, Peruvian officials admit. The discount on the overall sum owing amounts to some 45 per cent, including substantial relief on interest, they say.

William Rhodes: both sides have compromised

Holders of the debt principal will be allowed to exchange it for one of three types of bonds: a 30-year bond with a floating interest rate and 45 per cent discount to face value; a 30-year par bond with interest payments that increase gradually from 3 per cent in the first 15 years to 5 per cent for the last five years; or a 20-year bond with 25 semi-annual payments beginning 8 years after issuance and 10-years of fixed interest rates followed by 10-years of floating rates.

In addition there will be a debt buy-back. Unusually, this will take place via a Dutch auction mechanism under which Peru hopes to retire upwards of $1bn. This could allow Peru to buy back any debt that had been purchased on its behalf.

As is generally the case with Brady packages, the bonds will be collateralised with US Treasury bonds. But Peru will put up only six months' worth of collateral, the least of any recent Brady package aside from Poland.

Peru will continue to accept some debt in part-payment for privatisations. Something over $200m in principal has already been retired in this fashion.

Inclusion of a supplier credit in the Brady package, some $600m owed largely to Japeco, the Japanese consortium which built the northern Peruvian oil pipeline, and Ferrostal, the German submarine maker, came as a surprise. "We wanted to give all creditors the same treatment and leave no loose ends," said Mr Jorge Peschiera, chief negotiator in Peru's tiny debt team.

It is not yet clear how much a Brady deal will cost Peru. Payments to commercial banks should start by the year's end, with an initial outlay of around $24m a quarter. A lump payment of $225m will be made on closure of Brady negotiations, probably next July, according to Mr Peschiera.

But without further relief, debt service promises to be onerous. Between 1990 and 1994, with no interest payments to commercial banks and special concessions from the Paris Club, Peru paid out nearly $4.6bn in amortisation and interest on its total $22.6bn foreign debt. Fresh credits for the period totalled just $3.6bn.

However, Mr Peschiera termed the deal "extraordinary". He admitted Peru had aimed for a 50 per cent overall reduction. "But the unique element here is that Peru has achieved a reduction in its high levels of interest and arrears, something not even Poland managed," he said.

Banking sources say a final term sheet should be completed in November or December, with final closure of the agreement expected by the second quarter of next year.

President Alberto Fujimori: Peru's economy growing fastest

Mr William Rhodes, vice-chairman of Citibank, which heads Peru's committee of commercial banking creditors, said he thought the deal was fair because both sides had compromised on some areas they cared about. The Peruvians would prefer not to have to put up any collateral and not to have made any interest payments before the end of the year, he said.

Brittan opposes US plan for drug patents

By Nancy Dunne in Washington

Sir Leon Brittan, European Union external affairs commissioner, has become embroiled in a US congressional squabble over the length of time to be allowed for the protection of pharmaceutical patents.

Senator David Pryor, an Arkansas Democrat, has prepared legislation which would close a loophole in US law which gives a few big drug companies extended periods of patent protection. His aides say he has the votes to get it passed if it is attached as an amendment to the budget package now being debated.

In a letter to Mr Mickey Kantor, the US trade representative, dated October 20, Sir Leon opposed the proposal. He said it "seems to be in contradiction with the long-standing US policy of providing strong protection for research-based intellectual property rights, both at home and abroad".

The EU and the US "have further objectives to pursue at the bilateral level in terms of improved protection of our intellectual property rights," he said. But adopting the amendment "would send a negative and highly visible signal to those numerous countries... preparing new legislation on the protection of pharmaceutical inventions".

Sir Leon's letter was distributed to the media by Glaxo Wellcome of the UK. According to Mr Prior's office, Glaxo could lose $1bn a year if his amendment is passed, because of the additional protection given Glaxo's ulcer-treating drug, Zantac.

Another big loser if the loophole is closed would be Bristol-Myers Squibb, the makers of Capoten, used to combat high blood pressure.

In the Uruguay Round of trade negotiations it was agreed that member countries would provide patent terms of at least 20 years from the date patents were filed. Previously the US gave patent holders 17 years of protection from the time of a patent's approval.

In the round, it was agreed that generic manufacturers could come on to the market after 17 years if they agreed to pay a special franchise fee to the brand-name company.

Using a 1984 law, the large drug companies succeeded in getting a US court to rule on October 19 that 100 brand-name drugs would get a special three-year patent extension. Mr Pryor wants to eliminate this "windfall" profit.

Chirac visit raises hopes in London of joint drive against federalist pressure in EU

Anglo-French air force unit agreed

By David Buchan, John Ridding and Bruce Clark

President Jacques Chirac will today join Mr John Major in declaring open a new Anglo-French air force command amid high British hopes that the two countries could become partners in a more pragmatic, step-by-step approach to European co-operation.

The UK prime minister underlined his determination to consolidate a strong personal relationship with the French leader by inviting him to his country residence at Chequers last night for a reception and opera performance.

Mr Chirac's tough defence of French national interests has raised hopes in Britain that he could be an ally in the cause of resisting moves towards a federal Europe – and a better friend to London than his predecessor, Mr François Mitterrand. British officials have played up the fact that London and Paris now agree on the need to reaffirm the importance of national parliaments during at the forthcoming inter-governmental conference on the future of the European Union.

Already, the fact that Mr Chirac is prepared to do business with Mr Major in English has improved the personal chemistry in Anglo-French deliberations.

Britain and France – the only two west European nations with the ability to project significant military force overseas – also agree on one important principle: any deepening of defence cooperation within Europe should be on a strictly inter-governmental basis, with supranational institutions such as the European Commission kept at arm's length.

The air force command would co-manage the transport of forces from both countries to take part in peacekeeping or humanitarian missions in distant trouble-spots: neither nation would sacrifice any sovereignty as a result.

French officials have played down the prospects for any hard-and-fast agreements today on common Anglo-French positions at the IGC. If France makes any bilateral deals ahead of the IGC, this is more likely to happen at a Franco-German summit in early December.

Names to be told of benefit from Equitas surplus

By Ralph Atkins, Insurance Correspondent

Lloyd's of London will tomorrow offer thousands of lossmaking Names a potentially cash-generating stake in a giant company being set up to take responsibility for liabilities on old insurance policies.

Details of how Names will control and share any profits of the reinsurance vehicle, Equitas, form the latest stage of the 300-year-old insurance market's efforts to implement its recovery plan, launched in May. Lloyd's has had to abandon its intention of giving

LLOYD'S

LLOYD'S OF LONDON

Names – individuals whose assets have traditionally supported the insurance market – an indication this month of how much the plan will cost. It also shelved plans for a vote on the proposals in November.

However, Lloyd's leaders hope that a progress report, including more information on Equitas's structure, will help to build confidence in the market among investors and policyholders.

By setting up Equitas as a separate reinsurance company with responsibility for liabilities outstanding on old insurance policies – primarily US pollution and asbestosis claims – Lloyd's hopes to create a "clean" market.

Names will generally have to pay to set up Equitas but will finally have their liabilities to the market quantified. That would mean they could, if they wanted, sign a final cheque and leave.

To soften the cost of Equitas, and to settle litigation which is crippling Lloyd's debt collection efforts, the recovery plan also envisages a compensation package to names worth at least £2.8bn ($4.4bn). If Equitas succeeds, it is possible that in a few years, reserves made at the company's launch will prove over-generous. That would leave a surplus to distribute among its owners.

Because lossmaking Names are funding Equitas, Lloyd's realises they should have the right to any profits. But executives at the insurance market believe issuing shares to Names would be fraught with insurmountable regulatory problems, particularly in the US.

Instead, tomorrow's report will propose that Names should be entitled to a "return premium" which, in the event of Equitas generating a surplus, would pay out in the same way as dividends are earned on shares.

Ex-pats take high road home to help Scotland

By James Buxton in Edinburgh

Many races which have dispersed across the world from their home country. But only the Scots have failed to *develop a strong network of* mutual assistance between successful businessmen outside Scotland and those left back home.

That is the theory behind Scotland International, a gathering last week in which eight prominent expatriate Scots have been giving a helping hand to Scotland's business leaders.

People of Scottish origin are immensely successful outside Scotland, holding senior positions in leading companies in Hong Kong, the US and in England. But while they retain a sense of their origin they express it more by preserving clan ties and attending Burns suppers than in helping modern Scotland. "The nearest most expatriate Scots get to the Scotland of today is doing some grouse shooting or salmon fishing here," said Sir Charles Fraser, a retired Edinburgh solicitor and company director who was the prime mover in this week's events.

"There is a generation of Scots abroad who speak the language of the top, but they don't find anyone here to speak to at that level because we are a branch economy," Sir Charles said. The gathering has brought back to Scotland executives such as Sir Adrian Swire, chairman of John Swire, the Hong Kong conglomerate, and Mr Euan Baird, head of Schlumberger, the US oilfield equipment group. Other participants included: Sir William Stones, former chief executive of China Light and Power; Sir William Purves, chairman of HSBC Holdings; and Sir Denys Henderson, former ICI chairman.

The group was based in the relative seclusion of Gleneagles Hotel, but yesterday it went to Glasgow. Here small sessions were held with some of Scotland's leading businesspeople.

"The main idea is for successful expatriates to pass on their wisdom and their connections," Sir Charles said. "All my life people have come to me and said, 'Can you help me?', and I've often said I know someone who can. We want to start a kind of networking."

However, Scotland is not as unsuccessful as all that. The home team of about 60 included Mr Brian Stewart, chief executive of Scottish & Newcastle, which since its acquisition of Courage is the UK's biggest brewing group; and Mr Tom Farmer, founder of Kwik-Fit, the exhaust and tyre fitting chain.

Mr Angus Grossart, chairman of the Edinburgh merchant bank Noble Grossart, and Sir Ron Garrick, chief executive of Weir Group, the engineering company, presided over sessions. Rising stars present included Mr Cameron McColl, chief executive of Memory Corporation, the electronics company.

Scotland International has been nearly two years in preparation and backers include Scottish Enterprise, the development body. The intention is to have further meetings and include people who were not able to attend this time. Those included Mr Whitney MacMillan, chairman of Cargill, the US commodity trader, and Mr Robert Stuart, chairman emeritus of Quaker Oats.

Mr Michael Forsyth, secretary of state for Scotland, is to strengthen the Scottish Economic Council, an advisory body, and give it a more important role in helping him make decisions on economic and budgetary issues.

The council will be consulted on issues such as the Scottish Office's priorities in allocating its £14bn ($22.1bn) annual budget. The 30 members of the council, who include Scottish business and trade union leaders, will resign and Mr Forsyth will appoint the new council from a wider base.

Mr Forsyth said he wanted "grown-up, sensible discussions" which existing political forums do not provide. He strongly opposes the idea, advocated by the Labour party, of establishing a Scottish parliament.

UK NEWS DIGEST

Row clouds promotion of City

Some of the leading institutions in the City of London are to warn Mr Kenneth Clarke, chancellor of the exchequer, that the government must rethink its plans to promote the UK's financial services internationally or risk seeing the initiative collapse. The Corporation of London, the ancient municipal authority for the City, is to call for an urgent review of the composition of the City Promotion Panel, a Treasury-sponsored committee established by Mr Clarke in the summer.

The corporation says its criticisms are shared by leading city figures and by representatives of some of the city's most important financial institutions, including Liffe, the futures and options exchange, the Baltic Exchange and the Commodities Exchange. Mr Michael Cassidy, chairman of the corporation's policy and resources committee, said there was support in the city for the panel but widespread concern about its failure to make any headway in co-ordinating efforts to sell UK financial financial services around the world.

The panel comprises senior city figures such as Mr Howard Davies, deputy governor of the Bank of England, Sir Brian Pearse, chairman of British Invisibles and representatives from three overseas banks.

Michael Cassell, Business Correspondent

Automation of 20,000 post offices delayed

The £1.5bn ($2.4bn) project to automate Britain's 20,000 post offices has been seriously delayed by negotiations over the private finance initiative, the government's flagship policy for engaging the private sector in state-funded investment. Upgrading post office counters with electronic equipment to process benefit payments and other transactions is one of the biggest public sector infrastructure projects due to start this financial year.

The government claims it is critical to tackling benefit fraud, estimated at £1.4bn a year. It is also seen by the Post Office as crucial to the future viability of its branch network, which still uses paper for most transactions.

Andrew Adonis, Public Policy Editor

Gas company boosts drive into electricity

British Gas is stepping up its efforts to enter the gas-fired electricity generation industry as part of its response to a gas surplus that threatens to undermine the company's finances. The company is in talks with Scottish Hydro, the north of Scotland electricity generator and distributor, about taking a stake in British Gas's proposed Seabank gas-fired power station at Avonmouth near Bristol. It has also contacted other "interested parties" about participating in the project. Construction of the 730MW station, proposed in 1992, would cost about £300m ($474m).

Accelerating British Gas's move into electricity generation could help it to overcome having too few markets in which to dispose of its excess gas. Gas-fired power stations such as the one planned for Seabank use large amounts of natural gas.

Robert Corzine, Industrial Staff

'Low-ball' probe expected to clear Big Six firms

A top level inquiry into allegations that accountancy firms "low-ball" – or offer to do audit work at a cheap price to get more lucrative contracts from the client – is set to clear the Big Six firms.

The profession's senior regulator set up an investigation into "competitive pricing" after allegations made by Stoy Hayward that Price Waterhouse, one of the Big Six, won the audit at the RAC Club by using it as a loss leader. Price Waterhouse denied the allegations, saying it was simply more efficient. The rift between one of the Big Six firms and a leading second tier firm revived controversy over low-balling – which critics said undermined the quality and independence of auditors.

The report, by a working party of the Institute of Chartered Accountants in England and Wales, will be published next Wednesday. It is expected to conclude that "there is no evidence that large audit clients are unduly affected by competitive pricing." However, in a twist for the smaller firms, it will add that smaller audit clients may consider the audit as a "costly and unproductive necessity".

Jim Kelly, Accountancy Correspondent

8,125ha of farmland sold as tenancy law changes

Lands Improvement Holdings, a farm business company owned by insurance groups and pension funds, last week bought 8,125ha of prime farmland across Britain for about £55m ($86.9m) in one of the biggest transactions in British farming. The company bought the land and assets of British Field Products from Royal Insurance in a move that could herald an increase in agricultural land purchases following the introduction last month of new rules on farm tenancies.

"We would certainly not have bid for the land if the new farm business tenancies legislation had not been in place," said Mr Peter Clery, managing director of Lands Improvement. The new tenancy rules enable landlords to fix a term for tenants to farm land rather than being obliged to allow a tenant to stay for life.

Deborah Hargreaves, Resources Staff

Windfall: A shopkeeper in the northern England town of South Shields was horrified when a sudden gust of wind snatched 100 £10 ($15.80) notes from his grasp and scattered them along the street with passers-by in hot pursuit. But every note was collected and returned to him. "It restores your faith in human nature," he said.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Brit Gas Intl Fin 9½% Bd '01 C$95.0
Canadian Pacific C$0.08
Cassell 1.5p
Central Hispano Fin Sb Step-up FRN '05 $16.67
Corp Andina Fomento 7¼% Nts '98 $362.50
Creston Land 6% Conv Rd Un Ln 3p
Daiwa Intl Fin 8⅜% Sb Bd '03 $8375.0
Daiwa O'seas Fin Am C'ppd FRN '04 $16666.23
Dartmoor Inv Tst 2.9p
Eaglet Inv Tst 1.5p
Eng & Overseas Props 0.33p
Export-Import Bk Japan 9% Bd '96 ECU90.0
Guinness Fin 9⅝% Nts '98 C$96.25
Hodder Headline 2p
ICN Pharm 6¾% Sb Conv Bd '01 $33.75
Japan Air 5.45% Bd '02 Y545000.0
Do 5½% Bd '03 Y550000.0
Kansai Intl Air 6¼% Bd '99 $312.50
Do 9% Bd '96 $450.0
Kwik-Fit 1.9p
Mitsubishi Chem 4.4% Nts '97 Y440000.0
Nihon Doro Kodan 8⅞% Bd '98 ECU88.75
Pacific Horizon Inv 0.35p
Pokphand (CP) (Bermuda) $0.00384
Do (Hong Kong Reg) HK$0.03
Do (UK Reg) $0.00384
Radius 0.45p
Sphere Inv Tst Inc & Residual Cap 2.5p
Do Pkg Units 20p
3i 10¾% Bd '01 £107.50
Texaco Intl Fin 8% £/$ Conv Ln '81/99 £4.0
Toyobo FRN Jan '98 Y30027.0
Do FRN Apr '98 Y30027.0
UK 7⅛% Bd '97 DM71.25
Vaux 7% (4.9% net) Pf 2.45p
Do 4½% (3.15% net) A Pf 1.575p
Do 6½% (4.55% net) A Pf 2.275p

■ **TOMORROW**
Abbott Mead Vickers 2.75p
Allied Irish Bk Sb Prim Cap Perp FRN $164.51
Armour Tst 10½% Un Ln '91/96 £5.25
Automotive Precision 1.7p
Baldwin 2p
Baltic 1.25p
Bandt 7% (4.9% net) Pf 2.45p
Bankers Inv Tst 8% Db '23 £4.0
Do 10½% Db '16 £5.25
Bank Nova Scotia FR Db 2000 £177.38
Batleys 10% Cm Pf 5p
Blacks Leisure 10% Pf 5p
Blundell-Perm 7¼% Un Ln '90/95 £3.625
Bowness Leisure Conv Pf 5.6p
Brit-Am Tobacco 6% (4.2% net) 2nd Pf 2.1p
Bruntcliffe Aggregates 0.4p
Burmah Castrol 6% (4.2% net) 1st Pf 2.1p
Do 6% (4.2% net) 2nd Pf 2.1p
Do 8% (5.6% net) Pf 2.8p
Do 7¼% (5.075% net) Rd Pf 2.5375p
Burns Philip Treas(Euro) 5½% Sb Conv Bd '04 $137.50
Calderburn 2.9p
Campbell Soup Cap $0.31
Canadian Pacific C$0.08
Capital Shopping 6% Sb Conv Bd '06 3p
Chelsfield 1.1p
Chemical Banking $0.50
Chemring 4.9% Pf 2.45p
Citicorp Banking Sb Cap FRN Jan 30 '97 $154.93
Collaterised Mort Secs (No.4) Mort Bkd FRN '27 £96.81
Do (No.6) Mort Bkd FRN '27 £109.28
Do (No.12) Class A Mort Bkd FRN '28 £92.88
Compel 2.87p
Cookson 7% (4.9% net) Pfd 1.225p
Crean (J) Cap 7½% Rd Conv Ln '99 IR3.6548p
Daiwa Intl Fin Sb FRN '01 $1589.04
Dartmoor Inv Tst 6¼% RPI-Linked Db '05 £3.964
Dow Chemical $0.75
Dumyat Inv Tst Conv Mthly Div 0.49p
EFT 0.6p
ERF 10% Pf 5p
El Oro Mining & Expln 20p
Eng Prop 9⅞% 1st Mort Db '97/02 £4.9375
Estates Prop Inv 10% 1st Mort Db '11 £5.0
Do 10% Secd Ln '93/98 £5.0
Eurodis Electron 2.6p
Evans Leeds 11% 1st Mort Db '25 £5.50
Ewart 8½% Un Ln '90/95 £0.722
Exploration Co 10p
First Leisure 2.33p
Global Stock Inv Partg Pf $ Pfolio $0.13
Do Partg Pf Euro Eqty Pfolio DM0.30
Do Partg Pf Far East Eqty Pfolio $0.40
Do Partg Pf Gbl High Inc Pfolio $0.228
Do Partg Pf Jap Sm Cos Pfolio $0.06
Do Partg Pf UK High Inc Pfolio 11.42p
Do Partg Pf US Smllr Cos Pfolio $0.10
Gold Greenless Trott 3.3p
Granada 7½p (net) Conv Pf 3.75p
Guildhall Prop 6% (4.2% net) Pf 2.1p
Haden MacLellan 1.1p
Haynes Publishing 5.5p
Heavitree Brew 11½% Pf 5.75p
Independent Insurance 4.6p
Intermediate Capital 4.3p
Jackson (W) 7½% (5¼% net) Pf 2.625p
Jupiter Tyndall Intl 1.2p
Keller 1.75p
Kiln Capital 2p
Kleinwort Smllr Cos Inv Tst 1.3p
LASMO Oil Prod Units 3.6616p
Latham (J) 8% Pf 4p
Legal & Gen 6¾% Conv Sb Bd '08 £33.75
Litho Supplies 2.96p
Lon Merchant Secs 7¾% Conv Un Ln 2000/05 £3.875
Lowe (R H) 6½% (4.55% net) 1st Pf 2.275p
Lowe's Cos $0.05
Lynton 10¼% 1st Mort Db '17 £5.125
Malaysia 9½% Bd '96 $475.0
Mayne Nickless A$0.17
MacAlpine (A) 9% Pf 4.5p
Menzies (J) 8.6p
NatWest Bank Cap VRN 2000 $1581.25
Newarthill 6.775% Pf 3.3875p
NHL (1) Secs Dfd Int Mort Bkd FRN '28 £50.94
Nova Scotia (Prov) 16¾% Ln '11 £8.375
Pacific Elect Wire 3¾% Bd '01 $375.0
Pascoe's 7½% Conv Rd Pf 2.03425p
Peel 10% Pf 2.5p
Do 9⅞% 1st Mort Db '11 £4.9375
Peel SE 10% 1st Mort Db '26 £5.0
Do 11⅝% 1st Mort Db '18 £5.8125
Do 12½% 1st Mort Db '15/20 £6.25
Portsmouth & Sunderland News 6% Pf 3p
Do 11½% 2nd Pf 5.75p
Prolific Inc 2.25p
Prudential Fin 8¼% Bd '01 $82.50
Ragby FRN Oct 31 '97 $5400.0
Residential Ppty No.4 A Mort Bkd FRN '23 £1462.0
Do Class A2 Mort Bkd FRN '23 £1805.34
Do Class A3 Mort Bkd FRN '23 £1773.84
River & Merc Tst Stepped Pf Shs 3.1026p
Royal Bk Can FR Db '05 $52.78
Schroder Inc Growth 2.25p
Scottish Inv Tst 4% Perp Db £2.0
Do 4¼% Perp Db £2.125
Do 5% Perp Db £2.50
Scottish & Newcastle 4.6% Pf 2.3p
Do 6.425% Pf 3.2125p
Seagram Distillers 12⅜% Db '12 £6.1875
Secured Loan Fin No 1 A Mort Bkd FRN '18 £60.75
Do Mezz Mort Bkd FRN '18 £212.67
Seiyu 4.2% Bd 2000 Y420000.0
Shires Inv 4.1p
Smurfit (Jefferson) IR1.4p
Swallowfield 2.7p
TMC P.I.M.B.S. 1st Fin Nts 2 Jul '29 £179.40
Do 4th Fin Nts 5 Apr '29 £74.65
Do 6th Fin Nts 7 Jan '29 £70.53
Do 3rd Fin Slow Pay 4B Oct '29 £181.16
TR City Lon 10¼% Db '20 £5.125
TR High Inc Tst 1.6p
TT 10⅞% Conv Rd Pf '97 5.4375p
Toronto-Dom Bank C$0.22
Transamerica $0.50
Transatlantic A Conv Pf 12p
Do B 6% Conv Pf 3p
Do 5½% Sb Conv Bd '09 2.75p
USF & G $0.05
University Lancaster 9¾% 1st Mort Db '25 £2.4375
Vymura 1.6p
WEW 10½% Rd Pf '99/02 5.25p
Wells Fargo Sb FRN 2000 $53.33
Wimpey (George) 2p
Woolwich Bldg Scty FRN '98 £177.38

■ **WEDNESDAY NOV.1**
AMEC 6½p (net) Conv Rd Pf 3.25p
APV 3.15% Pf 1.575p
Do 4.55% Pf 2.275p
Do 5¼% Pf 2.625p
AT&T $0.33
Ameritech $0.50
Anglo Am Inds 5⅝% 1st Pf R0.05625
Asda Ppty 0.8p
Assoc British Ports 3p
BET 4½% 2nd Db £2.25
BPP 3.6p
BSM 2.3p
BTP 7½p (net) Conv Rd Pf 3.75p
Baynes (Charles) 0.9p
Beattie (James) 1.6p
Bell Atlantic $0.70
BellSouth $0.72
Bristol Corp Db £1.75
Britannia 0.5p
Brit Inv Tst 5¼% (3.675% net) Pf £1.8375
Brit Mohair 6% (4.2% net) Rd Pf 2.1p
CrestaCare 0.29p
Dunedin Worldwide Inv Tst 3½% Pf £1.75
Edinburgh Inv Tst 7½% Db '95 £3.75
Enterprise Oil 6.5p
Filofax 1.575p
Filtronik Comtek 0.75p
First Choice Holidays 1.4p
Fleming Merc Inv Tst 1.75p
Fyffes Conv Pf IR4.125p
Genfinance NV 11.31% Ln '£56.55
Gibraltar 11⅞% Loan '05 £5.9375
Glasgow Inc Tst 0.6p
Glaxo 7¾% Un Ln '85/95 1.9375p
Grafton IR5p
Graseby 2.7p
Hardys & Hansons 5% (3½% net) 1st Pf 1.75p
Do 4% Irred 1st Mort Db £2.0
Healthcare Ops 1 A Mort Bkd FRN '21 £138.65
Huntleigh Technology 3.5p
Intl SE of UK & Ire 7¼% Mort Db '16 £5.0625
Jackson 0.7p
Keihin Elect Express 6.65% Bd '99 Y665000.0
Laing (John) 6.4% Conv Pf 3.2p
Lamont 6% (4.2% net) Pf 1.05p
Do 5.6% 2nd Pf 2.8p
Do 10% 3rd Pf 5p
Lincoln National $0.43
Lloyds Chems Rd Conv Pf Partg Pf '05 3.75p
Londonderry Port Comm Pt Of Lon'derry 3½% Consd £1.75
Marshalls 10% Pf 5p
Merchants Tst 4% Perp Db £2.0
Minorco SA $0.21
Montreal (City of) 3% Perm Db £1.50
NYNEX $0.59
NatWest Bank 9.45% Sb Nts May 1 '01 $4.725
Norwich 3% Rd £1.50
Nottingham 3% Irred £1.50
Ocean 4.71p
Pacific Telesis $0.545
Parkland 3.15% Pf 1.575p
Pentland 1.35p
Reading 3½% (1978 or after) £1.75
Retail Corp 6½% (4.55% net) 3rd Pf 2.275p
Sanderson Bramall Motor 1.33p
Scottish Agricultural 13% Db '97/99 £6.50
Scottish Inv Tst 3½% Pfd £1.75
Do 3.85% Pfd £1.925
Do 4.55% A Pf £2.275
Sema 1.9p
Singer & Friedlander 1.6p
Do 8½% Conv Sb Un Ln '09/14 £4.25
Taylor Woodrow 0.75p
Torchmark $0.29
Travis Perkins 2.8p
Treasury 6¾% Loan '95/98 £3.375
US West $0.535
WT Foods 2p
Whitbread 4½% (3.15% net) 1st Pf 1.575p
Do 6% (4.2% net) 3rd Pf 2.1p
Do 7% (4.9& net) 3rd Pf 2.45p

■ **THURSDAY NOVEMBER 2**
Albany Inv Tst 1.45p
Alumasc 5.2p
Cookson 7% Conv Bd '04 £35.0
Furlong Homes 1.2p
Gowrings 1p
Healthcall 1.65p
Highcroft Inv Tst 2.1p
Pacific Dunlop A$0.115
Roxboro 2p
Rubicon 3.3p
Shell 12.9p
Steel Burrill Jones 1.5p
TR Euro Growth Tst 1.7p
Do Partg Subscription 1.7p
Wellington 2.4p

■ **FRIDAY NOVEMBER 3**
ASW 3.3p
Abbey Natl Tsy Services 8% Nts '98 L400000.0
Bentalls 0.6p
Brad & Bingley Bldg FRN Feb '99 £178.01
CRH IR2.75p
Dawsongroup 2p
Edinburgh Fd Mgrs 8p
Excalibur 0.45p
Fisher (James) 0.5p
GT Japan Inv Tst 1.1p
Henderson EuroTst 1.85p
Do UNITS 1.85p
Intrum Justitia 1.2p
INVESCO Japan Discovery Tst 0.25p
Lincat 5.5p
Mayborn 2.25p
Mersey Docks & Harbour 3.65p
OGC Intl 2p
OIS Intl Inspection 0.2p
Pearson 6.325p
Plasmec 2p
Provident Fin 11p
Quayle Munro 6.5p
Reed Executive 1p
Servomex 2.3p
Stat-Plus 4.75p
Treasury 15¼% Loan '96 £7.625
Usher (Frank) 6.5p
Walker (Thomas) 0.625p
Yorkshire Food 0.88p

■ **SATURDAY NOVEMBER 4**
New Zealand 11¼% '08 £281.25

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
BCE Holdings, Liverpool Moat House Hotel, Paradise Street, Liverpool, 11.00
Burn Stewart Distillers, Trades Hall, Glassford Street, Glasgow, 10.30**Dalepak Foods,** The Merchant Taylors' Hall, Aldwark, York, 10.00
East German Investment Trust, 24, Lombard Street, E.C., 12.00
McBride, Trinity House, Tower Hill, E.C., 2.30
TR European Growth Trust, 3, Finsbury Avenue, E.C., 12.30
BOARD MEETINGS:
Finals:
Benchmark
Conrad
UK Estates
Interims:
Abtrust New Thai
Campari Intl
Craig & Rose
Helene
Independent Parts
Invesco Korea Tst
JKX Oil & Gas

■ **TOMORROW**
COMPANY MEETINGS:
Anglesey Mining, 32, St. Mary-at-Hill, E.C., 11.00
Bryant, Cranmore House, Cranmore Boulevard, Solihull, West Midlands, 12.15
Courtyard Leisure, 62, Carter House, E.C., 10.00
Go-Ahead Group, Vermont Hotel, Castle Garth, Newcastle, 4.00**Harmony Property,** 2, Serjeants' Inn, E.C., 10.00**Henderson EuroTrust,** 3, Finsbury Avenue, E.C., 3.30
Surrey Group, 8, Baker Street, W., 10.00
Usher (Frank) Holdings, Waverley House, 7-12, Noel Street, W., 11.30**Vision Group,** Aviation House, 31, Pinkhill, Edinburgh, 2.30
BOARD MEETINGS:
Finals:
AG Hldgs
Fleming Jap Inv Tst
Interims:
Bertam Hldgs
Caspian
East German Inv Tst
Innovative Technologies
Le Creuset
MCIT
Premier Health
Rowe Evans Inv
Tamaris
Thames Water
Ticketing
Tullow Oil

■ **WEDNESDAY NOVEMBER 1**
COMPANY MEETINGS:
Alumasc, Founders' Hall, No 1 Cloth Fair, E.C., 10.30
Five Oak Investments, Savoy Hotel, W.C., 10.30
Foreign & Colonial US Smaller Companies, Exchange House, Primrose Street, E.C., 12.15
Lincat, Station Road, North Hykeham, Lincoln, 10.30
Merivale Moore, Brown's Hotel, Dover Street, W., 12.00
BOARD MEETINGS:
Interims:
BET
Betterware
Sainsbury (J)
Whitbread

■ **THURSDAY NOVEMBER 2**
COMPANY MEETINGS:
Allied Leisure, Denton Hall, 5, Chancery Lane, E.C., 2.30
Goodhead, Chaucer International Estate, Launton Road, Bicester, Oxon, 10.00
Industrial Control Services, Pontlands Park Hotel, West Hanningfield Road, Great Baddow, Essex, 11.00
Kleinwort High Income Trust, 10, Fenchurch Street, E.C., 10.00
Lloyd Thompson, Beaufort House, 15, St. Botolph Street, E.C.,12.30
MAI, Butchers' Hall, Bartholomew Close, E.C., 2.30
Melrose Energy, City Gate House, Finsbury Square, E.C., 11.00
BOARD MEETINGS:
Finals:
Bellway
Celsis Intl
Cooper (Frederick)
Kwik-Save
Smart (J) Contractors
Interims:
Boots
Saracen Value Tst
Westminster Scaffolding

■ **FRIDAY NOVEMBER 3**
COMPANY MEETINGS:
Bellwinch, Malcolm House, Empire Way, Wembley, Middlesex, 10.00
Betacom, Unit 1, Ponders End Industrial Estate, Duck Lees Lane, Enfield, Middlesex, 11.00
Close Brothers, 12, Appold Street, E.C., 9.30
PizzaExpress, The Chapter House, Montague Close, Southwark, S.E., 9.30
Ricardo, Institution of Mechanical Engineers, 1, Birdcage Walk, S.W., 10.30
Sirdar, Cedar Court Hotel, Wakefield, 12.00
Superscape, Cromwell House, Bartley Wood Business Park, Hook, Hampshire, 4.00
Walker (Thomas), The Grand Hotel, Colmore Row, Birmingham, 12.00
BOARD MEETINGS:
Finals:
Lowland Inv
TR Far East Inc Tst
Interims:
Burtonwood Brewery
Undervalued Assets Tst

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

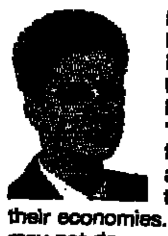
هكذا من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS

Monday October 30 1995

MARKETS THIS WEEK

PHILIP COGGAN:
GLOBAL INVESTOR
Canada has a reputation for being nice-but-worthy and, as an investment area, it has seldom set the pulses racing. But today's independence referendum in Quebec could cause turmoil in Canadian bonds and may prompt vigorous debate between bondholders and the Canadian authorities.
Page 22



ROBERT CHOTE:
ECONOMICS NOTEBOOK
Malawi this month became the latest recipient of help from the International Monetary Fund's "enhanced structural adjustment facility," which provides financial assistance to developing countries that are trying to reform or stabilise their economies. Unfortunately history suggests it may not do any good. **Page 22**

BONDS:
The enduring increase in overseas funding costs for Japanese banks, which had been expected to be a short-lived affair, has started to restrict their activities in the international syndicated loans market. **Page 24**

EQUITIES:
After the political drama last week, the banks arranging the privatisation of Eni, Italy's oil and gas company, must be praying for relative calm over the next three weeks so they can get the L10,000bn (£3.96bn) deal away safely.
Page 25

EMERGING MARKETS:
A scheme intended to stimulate additional foreign investment in the Thai stock market has so far had the opposite effect.
Page 23

CURRENCIES:
The Mexican peso suffered one of its greatest falls of the year last week on worries about the government's ability to control inflation and help bring about a recovery to the country's severe recession. **Page 23**

COMMODITIES:
Members of the Aluminium Federation should have plenty to talk about when they gather in London on Wednesday for the organisation's annual dinner.
Page 22

INTERNATIONAL COMPANIES:
Bayerische Vereinsbank lifted operating profits by 5.3 per cent to DM873m (£398.6m) in the first nine months of 1995, reversing the decline seen at the six-month stage, and forecast higher profits for the full year. **Page 21**

UK COMPANIES:
Mid-Ocean, the large Bermuda-based reinsurance company, is exploring takeovers or other investments at Lloyd's of London, including a possible link up with Brockbank, the managing agency. **Page 20**

STATISTICS

Elf and EdF in electricity alliance

French oil group is forming a joint venture company with the state-owned utility

By John Ridding in Paris

Elf Aquitaine, the French oil group, is to join forces with Eléctricité de France, the state-owned utility, to develop electricity generation projects in international markets.

The move, which takes the form of an unusual joint venture company between a private and public sector group, is aimed at capitalising on increasing demand for electricity. It is also intended to exploit opportunities arising from the liberalisation of European energy markets.

The two companies predict that electricity production will account for 40 per cent of primary energy consumption worldwide by 2010, compared with 35 per cent at present.

Elf said it wanted to increase the value added to its gas and oil production, while EdF, one of the world's largest electricity generators, is seeking to expand outside France. No specific projects have yet been identified by the companies, which described the joint venture as a long-term initiative.

The agreement is to be sealed by the purchase of a 2 per cent stake in Elf by EdF. The electricity company, which will buy its shares on the stock market, will gain a seat on the oil group's board.

Mr Philippe Jaffré, Elf's chairman, described the alliance as a strategic business proposition, dismissing the claim that it increased the influence of the French state following the privatisation of the oil group last year. At present, there is only one state representative on Elf's 13-member board and Mr Jaffré said the EdF appointee would play a strictly operational role. The government has indicated it would halve its shareholding in Elf from just under 10 per cent at present.

In a second element of the alliance with EdF, Mr Jaffré said Elf had agreed a 15-year electricity supply contract for Elf Atochem, the group's chemicals arm.

Elf will pay EdF FFr2bn ($408m) to enable Atochem to buy one-third of its electricity needs on a cost price basis. Mr Jaffré declined to disclose the price paid, but said it would reduce costs and have a positive impact on earnings.

As with the joint venture, Mr Jaffré said the European Commission had been informed of the deal, but he did not expect any problems. He said both agreements would benefit shareholders, through improved earnings prospects and the increased demand for shares resulting from EdF's purchase of its stake.

Both companies may pursue international electricity projects with other partners. However, Elf and EdF have first refusal on projects conceived by either partner. Mr Jaffré said potentially lucrative markets included Asia, Europe and the Middle East.

Industry observers described the joint venture as a strategic move. "It suggests that Elf is becoming more offensive after a period of retrenchment," said an analyst, referring to the cost-cutting and strict investment controls implemented by Mr Jaffré after he took the helm of the group in 1993 and led it through privatisation.

To reduce debts and increase profitability, Mr Jaffré has cut several investment projects. This month, Elf confirmed it was withdrawing from an oil refinery project in Shanghai.

The US semiconductor manufacturer has grand ambitions for its next generation of chips

Intel paints a new picture with Pentium Pro

Intel, the world's largest semiconductor manufacturer, will this week launch a generation of high performance microprocessor chips designed to become the engines of a broad range of new business computer systems as well as the next wave of desktop personal computers.

The new Pentium Pro chips, widely known by the Intel code name P6, are the successors to the Pentium chips used in today's top-selling PCs. Several PC companies, including Compaq Computer, the market leader, are expected to announce new Pentium Pro desktop computers on Wednesday, when Intel officially unveils its new chips.

However, Intel's ambitions for the Pentium Pro reach far beyond the PC industry, where it is already the dominant supplier of microprocessors with an estimated 80 per cent market share. "Our belief is that it will enable us to expand our presence in high end segments of the computer market," says Mr Lew Paceley, Pentium Pro marketing manager.

Intel is aiming Pentium Pro at servers – business computer systems which might support hundreds or even thousands of users – as well as high performance desktop workstations, in competition with products such as those offered by Sun Microsystems. The Pentium Pro will bring the economics of mass produced PCs to these broad segments of the computer industry by enabling very high performance computers to be built using standard chips and circuit boards at low cost, Intel predicts.

For computer buyers, this sounds like good news. However, for many computer companies, it may be a threat. Whereas profit margins in the high volume commodity PC business are razor thin, companies in the more specialised server and workstation segments of the computer market have, until now, produced higher returns.

To drive sales of its microprocessors into these markets, Intel will manufacture circuit boards incorporating four Pentium Pro chips. Customers for these motherboards – which are the guts of a computer system – will include International Business Machines, Compaq, Data General and several other groups.

Intel's drive to increase microprocessor sales by manufacturing circuit boards began about four years ago. Since then, it has become the world's largest producer of PC motherboards with an estimated 50 per cent of the world market.

Last month, Intel announced plans to build a new circuit board factory in the state of Washington. The company's largest investments, however, are in new chip plants for the Pentium Pro.

Intel plans to spend $3.5bn on new plants and production equipment this year, and an equal or higher amount in 1996. This month, the company announced it would spend $1.5bn on a new microprocessor chip factory in Ireland. It has recently completed construction of a $1bn plant in New Mexico.

Even as Intel bets billions of dollars on the success of Pentium Pro, competitors predict that the new chips will not live up to expectations.

The Pentium Pro may be ahead of its time. Intel has designed the chips to provide blazing speed for 32-bit application programs that are written to handle data in chunks of 32 bits at a time. However, most of today's PC programs work on 16 bits of data.

Windows 95, the new Microsoft PC operating system, is a mix of 32-bit and 16-bit instructions. Its performance on Pentium Pro will therefore be only marginally better than on a Pentium chip.

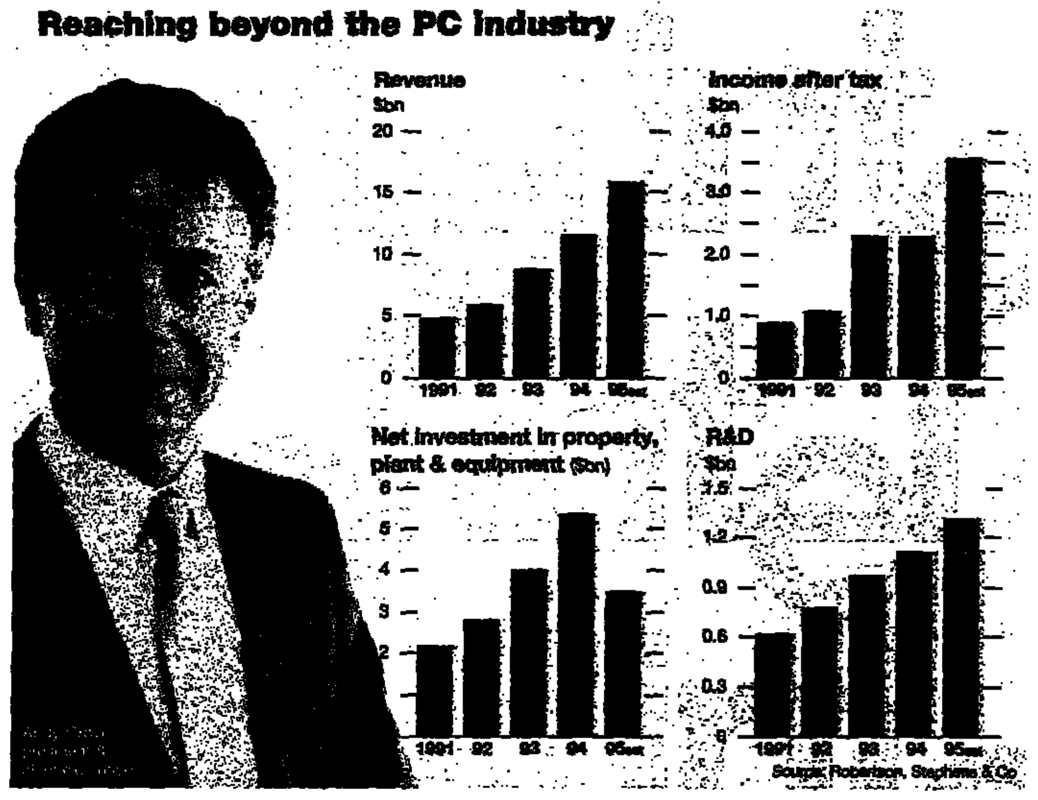
While it is not unusual for software to follow the development of new chip technology, competitors charge that Intel has blundered in not keeping step with software trends.

"We are focused on where the market is going," says Mr Paceley. The trend in PCs is toward computing in pictures, rather than text, and in these applications Pentium Pro will excel, he claims.

With prices for Pentium Pro computers expected to start at about $4,000, these are not consumer PCs. However, "for $2,500 you can get an awesome PC this Christmas", based on the current generation of Pentium chips, says Mr Paceley. But the success of Pentium Pro may determine for how long such computers retain their value.

Louise Kehoe

Reaching beyond the PC industry



Source: Robertson, Stephens & Co

British Gas steps up move to power generation

By Robert Corzine in London

British Gas is stepping up its efforts to enter the gas-fired electricity generation industry as part of its response to a gas surplus that threatens to undermine the company's finances.

The company is in talks with Scottish Hydro, the north of Scotland electricity generator and distributor, about taking a stake in British Gas's proposed Seabank gas-fired power station at Avonmouth near Bristol. It has also contacted other "interested parties" about participating in the project.

The construction of the 730MW station, proposed in 1992, would cost about £300m ($471m).

Accelerating British Gas's move into electricity generation could help it to overcome having too few markets in which to dispose of its excess gas. Gas-fired power stations such as the one planned for Seabank use large amounts of natural gas.

British Gas's surplus is equivalent to about a quarter of the country's national annual consumption. Under the long-term take-or-pay contracts British Gas has with the big North Sea producers it must pay for the surplus gas even though it has no market in which to sell it.

Last week, Ms Clare Spottiswoode, the gas industry regulator, warned the financial liabilities linked to the surplus could call into question the company's long-term survival.

The company's original partner in the Seabank scheme was Midlands Power, a subsidiary of the Midlands regional electricity company which is being bid for by PowerGen, the smaller of the country's two main electricity generators.

British Gas bought out the Midlands stake this year. It has 100 per cent of the project.

The company hopes to conclude "the final commercial details" of a partnership early next year. Construction could begin later in the year, with the facility operational in 1998, when the residential gas and electricity markets are due to be opened fully to competition.

Senior company executives believe the liberalisation of Britain's energy markets in 1998 will create opportunities to sell gas and electricity as part of energy packages.
Guide, Page 9

This week: Company news

DRESDNER BANK

Profits expected to rise in the third quarter

Dresdner Bank this week continues the German bank reporting season which has seen its main rivals produce better third-quarter figures than at the halfway stage. Germany's second largest commercial bank, which recently bought Kleinwort Benson, the UK merchant bank, will announce its results on Thursday. They are likely to show a rise in operating profits after a decline in the January-June period.

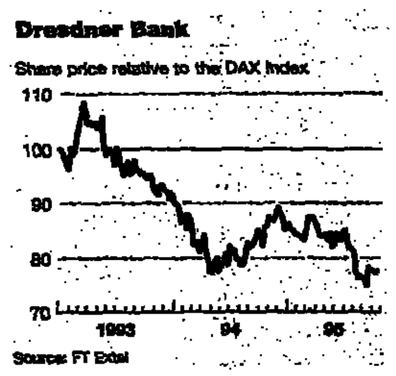
The results already announced by Commerzbank, Deutsche Bank and Bayerische Vereinsbank show that profit margins remain under pressure. Analysts were generally disappointed by the figures, noting that interest and commission income trends were flat or down. The banks were able to show improved nine-month performance through much higher financial trading profits and lower loan loss provisions, reflecting steadier conditions on the corporate scene and the lack of writedowns on bond portfolios.

Dresdner's operating profits were 5.5 per cent lower in the first half at DM984m ($708m), but Mr Jürgen Sarrazin, chairman, said in August the full-year result should show an improvement. German banks' second-half performance is also benefiting from the fact that the comparable 1994 period was weighed down by the deterioration in trading profits caused by the poor bond market.

Analysts expect a rise of at least 10 per cent in Dresdner's operating profits in the first nine months, with some forecasting more than 15 per cent. Commerzbank's profit was 114 per cent higher during the period, with Deutsche Bank rising only 2.6 per cent.

Like Deutsche, whose investment bank activities are grouped within its Deutsche Morgan Grenfell operation, and Commerzbank, Dresdner is on the look-out for further opportunities in the asset management, corporate advisory and securities sectors.

Dresdner Bank



Source: FT Extel

UK RETAILERS

Sainsbury likely to disappoint midway

The market is bracing itself for disappointing interim results on Wednesday from J. Sainsbury, the UK's biggest food retailer. The announcement last week that Sainsbury was replacing its marketing director increased speculation that the sales performance of the core supermarket chain could be poor.

Analysts forecast a small increase in pre-tax profits for the six months to September, from £444m to about £450m ($711m). But while like-for-like sales volumes, excluding new stores and inflation, were forecast to be down about 1 per cent, market speculation suggests the decline could be worse.

That compares poorly with the 6 per cent like-for-like volume increase reported by Tesco in September.

Kwik Save on Thursday will demonstrate how competitive grocery retailing continues to be. Britain's biggest discount chain is expected to announce its first fall in full-year profits, from £135m to about £126m.

Boots, the retailing and healthcare group, is expected on Thursday to report a fall in interim profits from £241.8m to about £220m – but that will be due to the absence of the pharmaceuticals division, sold this year to BASF of Germany. The underlying performance in Boots The Chemists is expected to be good, although Do It All and AG Stanley (the Homecare and Fads chains) remain problem areas.

OTHER COMPANIES

Pollution charge hovers over Cigna

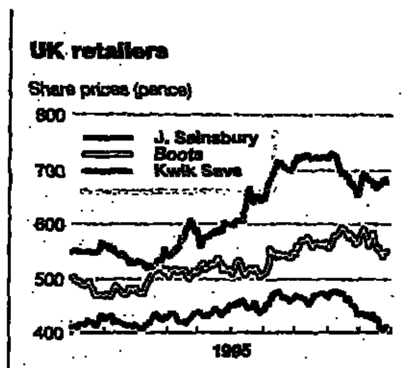
Cigna's third-quarter results, due tomorrow, will bear the brunt of the US insurer's decision to add $1.2bn to its reserves to cover anticipated environmental losses.

The last of the big insurers to make such a move, Cigna is likely to be left with a loss of about $8.20 a share for the quarter, compared with a profit of $1.69 a year before, according to Merrill Lynch. The charge for pollution clean-up costs, expected to be $750m after tax, could detract from what was otherwise an improving quarter. Like other US insurers, the company is likely to register a continuing improvement in its property/casualty operations.

■ **Japan's leading airlines:** Unconsolidated interim earnings results are due on Tuesday. While the companies have had a strong first half in terms of revenue, their profit growth may not be as strong because of the increasing trend of discounting air tickets.

■ **KLM:** The Dutch national carrier is expected on Tuesday to report lower net profits for the second quarter of its 1995-96 financial year ending March 31. Forecasts vary widely from Fl 260m to Fl 320m ($200m) compared with the previous year's Fl 354m. Operating profit will be higher. Although traffic growth remained strong in the quarter, KLM faces tax provisions and a resumption in pension payments.

UK retailers



Source: FT Extel

■ **Royal Dutch Shell Group:** Replacement cost profits, which strip out the effect of oil price changes, are expected to be £1bn-£1.25bn ($1.58bn-$1.97bn), on Thursday. Last week, Shell Oil, the oil group's large US subsidiary, posted a 33 per cent rise in fully-adjusted net earnings to $431m, its best third-quarter result in eight years.

■ **Skandinaviska Enskilda Banken:** The Swedish commercial bank, closely linked to the Wallenberg sphere, will be hoping to restore its battered reputation when it reports nine-month figures on Thursday. It stunned investors with its six-month figures when it made just SKr19m ($2.9m), against market estimates of SKr1.4bn, largely because of losses linked to Luxonen, an investment group. By contrast, the strengthening of the krona and a sharp fall in Swedish bond yields could make for a pleasant surprise.

Companies in this issue

Brockbank link explored by Mid-Ocean

By Ralph Atkins, Insurance Correspondent

Mid-Ocean, the large Bermuda-based reinsurance company, is exploring takeovers or other investments at Lloyd's of London – including a possible link up with Brockbank, the managing agency.

The Bermuda reinsurers' interest follows it setting up a UK branch in August to attract business sold in the London insurance market. Lloyd's has also relaxed its rules on ownership of managing agencies – which run syndicates at the insurance market – making it easier for outsider insurers to make acquisitions.

Mid-Ocean could supply capital to syndicates as well as buying a Lloyd's agency. A significant investment would be a fillip for Lloyd's which, given the uncertainty over its future, is expecting little extra capital for underwriting in 1996.

Such a move would also help assuage fears that London is losing its competitive edge to the Bermuda tax haven which has grown rapidly in recent years as an insurance centre.

Mid-Ocean has good connections with Lloyd's, providing reinsurance to syndicates. Mr Michael Butt, chief executive, refused to comment on possible deals but said: "We're looking at ensuring that we try and support good underwriters at Lloyd's."

Brockbank also refused yesterday to comment on possible deals but said it was interested in raising corporate capital. Listed on the Alternative Investment Market, Brockbank is one of the largest and most successful Lloyd's agencies. Its interests include running the syndicate which supplies Admiral, the direct sales motor insurer, with underwriting capital.

Mr Mark Brockbank, chief executive, last week said Lloyd's was losing out to competitors because of its traditional practice of raising capital annually. He said "dedicated" or permanent capital would reduce expenses significantly.

Electra Fleming in £50m PHS buy-out

By Tim Burt

Electra Fleming, the fund management company, yesterday announced the largest investment since its formation in July with the £42.9m acquisition of Personnel Hygiene Services, the privately owned hygiene equipment group.

The investment – worth almost £50m after including a £7m contingent loan note – follows an approach to Electra Fleming by the family trust owners of Personnel Hygiene Services (PHS).

In July, Robert Fleming, the City investment bank, paid £29.5m for a half share in Electra Kingsway, a leading investor in private companies, which was subsequently renamed Electra Fleming.

Mr Nigel McConnell, director of Electra Fleming, said it was attracted to PHS by its market leading position in a highly fragmented sector.

Officials from Electra Fleming are expected to begin discussions shortly with PHS's directors about their participation in the buy-out.

From boys' toys to one of the big boys

John Griffiths on Mayflower's growth from its roots in the toy industry to a £135m motor group

Just two months after its acquisition by Mayflower Corporation, the aggressively expansionist engineering group, bus builder Alexander Holdings announced orders for 660 bus bodies worth £29m – big business by the standards of the UK industry. A joint venture agreement for Alexander to produce bus bodies in China is also imminent.

No-one at Mayflower would claim to have waved a magic wand over Alexander's order book; the business was already under negotiation when Mayflower bought the company.

"But it does show again that things do appear to happen when Mayflower moves in," said one motor industry analyst.

Mayflower first sprang to life in the unlikely form of a reverse takeover of Triangle Trust – maker of Tri-ang toys – in 1989.

Mayflower has since cast off its toy roots and grown with the speed of a weed to encompass several well-known automotive engineering businesses, notably Motor Panels and the design consultancy, International Automotive Design (IAD). These were both purchased from receivers, in 1991 and 1993 respectively.

IAD contributed £32.9m to sales last year and, says Mr John Simpson, Mayflower's tall, lean, shaven-headed group chief executive, is now trading profitably.

"We're doing well by being in the right niches," he says.

Mr Simpson – who is also a keen racing driver – has developed Mayflower in partnership with non-executive chairman Mr Robert Hamro, a member of the banking family, who helped fund the original Triangle Trust reverse in 1989.

In 1990, Mayflower was a lossmaker with sales of around £10m; by last year, turnover had reached £134.8m – a 34 per cent jump on the previous year – and pre-tax profits had jumped 59 per cent to £8.6m.

Growth will have been no less rapid this year, as a result of a fresh flurry of new contracts and the coming on stream of more major manufacturing business, most notably the bodies for Rover's MGF sports car.

In February, Mayflower pulled off something of a coup, in prestige terms, when Rolls-Royce Motor Cars, Vickers' luxury cars subsidiary, announced that it was ending its long-standing contract under which Rover Group produced the steel bodies for its Rolls-Royce and Bentley cars.

Now, Mayflower, through Motor Panels, is to undertake much of the engineering and tooling for the next generation of Rolls-Royce bodies in a deal worth some £40m.

Mayflower is also expanding rapidly in North America, mainly through Motor Panels' US subsidiary, Motor Panels Inc, where sales rose by 38 per cent to £48.4m last year. In total Mayflower earned 45 per cent of last year's revenue in North America.

Alexander represents another step in a strategy to take Mayflower into six operational areas where the company thinks it can be one of the top players.

It is looking at diversifying into vehicle component systems, as well as bodies, and may go even further. "We make complete vehicles for people in the form of prototypes, so it is a natural extension that we go to full-scale production of vehicles", says Mr Simpson.

The remaining areas to be looked at will be in engineering and manufacturing, but might not be in the motor industry.

"Business is world-wide these days and hellishly complicated," says Mr Simpson.

The core of all activities, however, is perceived as finding "creative solutions for whatever a customer is trying to achieve," said Mr Terry Whitmore, chief executive of Mayflower's automotive operations.

These solutions can range from the financial to the technical.

The company's aggressive strategy, inevitably, has brought major restructuring, rationalisation and culture shock to the companies brought into its orbit – not least because the group has been reorganised around multi-functional project teams capable of being applied to any area of the business.

But, Mr Whitmore points out, it has not been a case of giving the kiss of life to lame ducks.

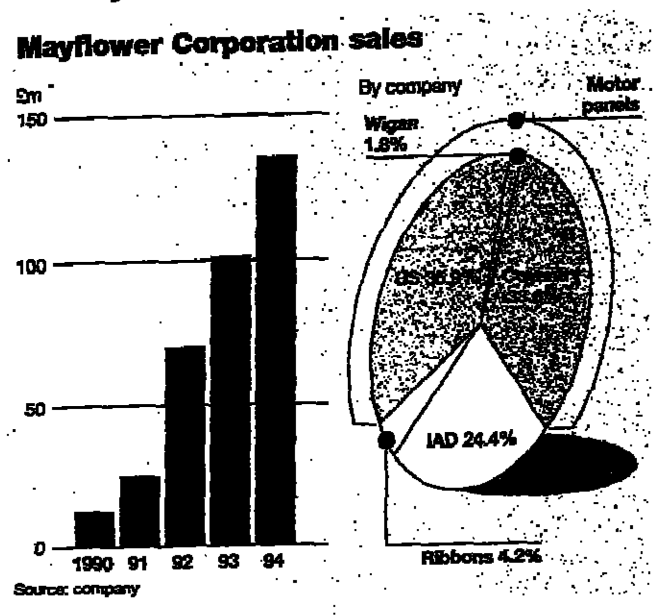
"Motor Panels was a good company requiring modern treatment. Mayflower has refocused it, re-energised it and changed the culture. It has inculcated the expectable philosophy of continuous improvement. In the process it has doubled productivity."

In the process, too, it has also left no director in the same job.

It has been, admits Mr Simpson, "a fairly ruthless approach: the demolition team goes in to break up the culture. They pass it on to Terry (Whitmore) who then rebuilds it."

Mr Whitmore agrees – "the most traumatic thing was to break the piece-work system. But occasionally you really have to do the black leather coat and black BMW routine."

Mayflower Corporation sales



Source: company

US groups target UK to bolster ISDN technology

By Paul Taylor

US technology companies are acquiring small UK-based data networking specialists to bolster their technology base.

Last week Fivemere, a UK-based ISDN back-up and video-conferencing specialist, became the latest target when Network Express of the US offered more than £39m for it.

The deal is the sixth involving British companies specialising in ISDN technology – used for high speed digital communications links – since March and the fourth involving a US-based suitor.

Analysts suggest the recent proliferation of ISDN technology in the US coupled with ever-shortening product life cycles, is driving US companies to acquire technology rather than risk developing it in house.

"Within an increasingly competitive marketplace companies can no longer afford the time spent developing technology they may never be able to use," said Mr Victor Basta of Broadview Associates, the technology mergers and acquisitions specialist which advised Fivemere in the deal.

The spate of acquisitions began in March when 3Com of the US agreed to acquire Cirencester-based Sonix for £45m. The following month Xylogics acquired Scorpion of the UK for £5m, in June Shiva of the US acquired Spider Systems for £50m and Specialix was acquired for £17m in a management buy-out and last month Securicor 3Net of the UK acquired WISDM for an undisclosed sum. British companies' expertise in ISDN technology, adopted earlier in Europe than the US, has coupled with language affinities to make the UK the favoured corporate hunting ground for mid-sized US companies such as Shiva and Network Express wishing to augment and extend product ranges.

Mr Basta added: "UK ISDN technology is far in advance of anything available in the US, and the desirability of British companies is reflected not only in the number of transactions, but also in the high valuations UK sellers are obtaining."

Lister shares fall on first half warning

Shares in Lister, the spinner and textile products maker, fell 5p to 25p on Friday after Mr Andy Lusher, chairman, told the annual meeting that results for the half year to October 1 would "reflect substantial reorganisation and termination costs".

Mr Lusher said that following pre-tax losses of £1.69m for the year to April 1 the company had appointed Postern Executive Group to review its activities.

On current trading Mr Lusher said the group's markets remained as competitive as ever.

Wyko grows with £2.5m acquisition

Wyko Group, the precision engineer, is expanding its power transmission operations with the acquisition of Aberdeen Bearing Group for £2.5m.

ABG distributes bearings and components through six branches and a specialist couplings activity in Doncaster. It incurred pre-tax losses of £166,000 in 1994 on sales of £5.43m. Net assets at the year end were £338,000. The group is currently trading profitably.

The consideration comprises £1.2m cash and the issue of 1.24m shares. Up to 295,855 more shares will be issued a year after completion.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Union Bancaire Privée (Switzerland)	Unit of Merita Bank (Finland)	Banking	£305m	Non-core disposal
Harnischfeger Industries (US)	Dobson Park Industries (UK)	Mining equipment	£203.6m	Increased bid agreed
Danka Business Systems (UK)	Infotec (Netherlands)	Office equipment	£109m	Danka's biggest buy yet
Axa (France)	Cursitor-Eaton (US)	Financial services	£90m	Cash + paper deal
Softbank (Japan)	Unitech Telecoms US	Telecoms	£19m	Stake develops US strategy
Bowthorpe (UK)	Telecom Analysis Systems (US)	Measuring instruments	£17.8m	Staged payment
Dresdner Bank (Germany)	Unit of Crédit Lyonnais (France)	Banking	£31m	Chile deal agreed
Daewoo (S Korea)	FSO (Poland)	Auto manufacture	n/a	$1.1bn investment plans
SmithKline Beecham (UK/US)	Total Support Management (SA)	Healthcare	n/a	Extending management operations
Telefónica (Spain)	Multicanal (Argentina)	Cable TV	n/a	Stake via Tisa arm

هكذا من الأصل

هكذا من الأصل

Bayerische Vereinsbank ahead

By Andrew Fisher in Frankfurt

Bayerische Vereinsbank lifted operating profits by 5.3 per cent to DM873m ($623m) in the first nine months of 1995, reversing the decline seen at the six-month stage, and forecast higher profits for the full year.

Mr Albrecht Schmidt, chairman, said he expected the more dynamic trend to continue to the end of the year. The rise in profits for the first nine months of the year compared with a 6.6 per cent drop over the January to June period.

Like its competitors, Commerzbank and Deutsche Bank which reported last week, Vereinsbank has benefited from a sharp recovery in financial trading profits from DM7m to DM182m as world bond markets have recovered from last year's collapse.

The Munich-based bank also reduced loan-loss provisions by 21 per cent to DM496m.

However, income from basic lending and fee business has remained flat, as at competitor banks, with margins still under pressure.

Vereinsbank's net interest income was 0.5 per cent lower at DM3.2bn, with commission earnings easing by 2.5 per cent to DM761m.

The bank said commercial loan demand was affected by the slow economic recovery. Mortgage banking, a large part of the group's business, was down from previous high levels as growth in the market tailed off, but Mr Schmidt said the volume was still encouraging.

Mr Schmidt said that the improved overall result reflected a more intensive effort to win new business; an improvement in securities trading (the rise in commission income compared with a 6 per cent drop at the half-way stage); and the fact that last year's third quarter was weak after a strong first half.

He said that growth in costs, which were 9.4 per cent higher at DM2.8bn in the nine-month period, had slowed down from the 12 per cent over the whole of 1994.

The increase in costs reflected the bank's investment in new technology, electronic banking and expansion abroad.

Analysts expect the bank's costs to continue rising fairly rapidly over the next year or so, holding down profits growth.

JVC in the black at midway

By Emiko Terazono in Tokyo

JVC, the Japanese audio and video equipment maker, returned to the black in the half year to end-September. It posted an unconsolidated recurring profit of Y2.5bn ($26m) for the period, against a loss of Y2bn a year earlier.

The group also saw its operating losses decline, which it attributed to cuts in sales and administrative costs.

At the operating level, it recorded a reduced loss of Y908m, against the previous year's Y6.8bn deficit. It said current earnings were supported by financial revenues, including patent fees.

JVC, which will not be paying an interim dividend, said it expects to return to the black at the operating level in the second half to March.

The company posted an after-tax profit of Y447m, against a loss of Y2.9bn a year earlier. Total sales rose by 4.7 per cent to Y271.9bn. JVC said exports rose by 1 per cent to Y139.9bn while domestic sales advanced 9 per cent to Y130.3bn.

Sales of consumer electronics products remained flat at Y183bn while professional and educational electronics products rose 4 per cent to Y45.4bn and electronic devices jumped 47 per cent to Y28.3bn.

The company's entertainment software division, which includes music and video compact discs and tapes, posted sales of Y13bn, up 16 per cent.

The company said earnings were squeezed by a decline in retail prices of audio and video products while the yen's strength also eroded its profit margins. The yen strength hit profits to the tune of Y9bn while discounting affected earnings by Y13bn.

For the full year, the company expects to post recurrent profits of Y4bn, against a loss of Y1bn in the previous year, and sales to rise by 10.3 per cent to Y560bn on an expected dollar exchange rate of Y92.

Help sought for Greek shipbuilder

By Kerin Hope in Athens

The Greek government is expected to appoint Alpha Finance, the Greek investment house, and Samuel Montagu of the UK as joint financial advisers in a bid to rescue Hellenic Shipyards, the loss-making Greek shipbuilder.

A restructuring plan calls for Etva, the state development bank which owns the yard, to sell a 49 per cent stake to the workers for Dr8bn ($35m). Etva would retain the rest of the equity.

The financial advisers would be asked to prepare a business plan for the yard, find an international shipbuilder to manage it from next January and raise up to $20m in bank financing to upgrade equipment and improve cashflow.

The plan must be approved by the European Commission, which has started legal proceedings against Greece for defying directives on ending state subsidies for shipyards. If it is approved, Hellenic will be allowed to write of almost Dr100bn in debts and the case against Greece will be dropped.

Hellenic's 3,000-strong workforce has opposed attempts to privatise the yard because of the job losses that would follow. But its trade union recently agreed to cuts of 600 to 1,000 jobs when the new managers take over and has pledged to limit future wage demands to levels agreed for Greek public sector workers.

With an order book of more than Dr30bn, including building three German MEKO-class frigates under licence for the Greek navy, repairing Greek-owned merchant ships and manufacturing rolling stock for the Greek railway, Hellenic has no shortage of work.

The yard is the biggest in the eastern Mediterranean, with a floating dock for repairing ships of up to 500,000 deadweight tons.

Clark to head Coles Myer board

By Nikki Tait in Rockhampton

The long battle by institutional investors to install some basic corporate governance standards at Coles Myer was finally resolved when Australia's largest retailer formally announced it was appointing five new directors.

The new recruits include Mr Nobby Clark, a former managing director of National Australia Bank, who will head the Coles board as chairman.

Mr Clark, a respected veteran of the Australian corporate scene, retired as chairman of Foster's Brewing Company on Monday, having overseen that company's restructuring.

In addition to Mr Clark, Coles will appoint a further four non-executive directors. They will include Mr Ric Charlton, who recently stepped down as head of Shell Australia; Mr Bruce Hogan, a former joint managing director of Bankers Trust; Ms Helen Lynch; and Mr Richard Allert.

As previously announced, Mr Will Bailey and Mr Lindsay Fox – deputy chairman and non-executive director respectively at Coles – have resigned from the board, while Mr Solomon Lew, previously executive chairman, has stepped down to become vice-chairman.

Three senior Coles executives, including chief executive, Mr Peter Bartels, also remain on the 12-man board, as do three non-executives directors; Mr Nick Greiner, Mr Mark Leibler and Sir Robert Mathers. Shareholders will be asked to confirm the new appointments at the annual meeting on November 21.

Westinghouse warns on profits

By Richard Waters in New York

Westinghouse has issued a warning about the performance of two of its core businesses in the final months of this year.

The comments came last week as the troubled US conglomerate reported a post-tax loss of $52m for the third quarter, or 12 cents a share, compared with a profit of $73m, or 15 cents a share, the year before.

Mr Michael Jordan, chairman, said: "While we expect to have a strong fourth quarter, it now appears that the performance of the power generation and energy systems units will fall below our earlier estimates."

However, he called the performance of the company's broadcasting, refrigerated transport, furniture and electronic systems divisions "outstanding".

Orders in the energy systems division were down 39 per cent from a year ago, while operating profits were $55m lower, partly because of the legal settlement.

Power generation registered a 13 per cent drop in revenues and operating profits fell $58m, due to lower prices and less of a decline in revenues from maintenance.

Results in the three months to end-September were affected by a $120m restructuring charge and a $45m legal settlement, offset in part by $115m gain from an asset sale.

Winds of change in storm insurance

Hurricanes and tropical storms have buffeted the Caribbean and US with exceptional frequency and severity this year, leaving a lasting impression on the regions' insurers as well as its landscape.

Insurers are counting the cost of a storm season which has so far included 18 named tropical or hurricane force winds. The average is less than 10 a year.

Property Claims Services, the US insurance information organisation, estimates US claims from Hurricane Opal, which hit parts of Florida, Alabama and Georgia this month, will reach $2.1bn. Hurricanes Marilyn, which hit the US Virgin Islands with particular severity, and Erin caused insured losses estimated at $875m and $375m respectively, according to PCS.

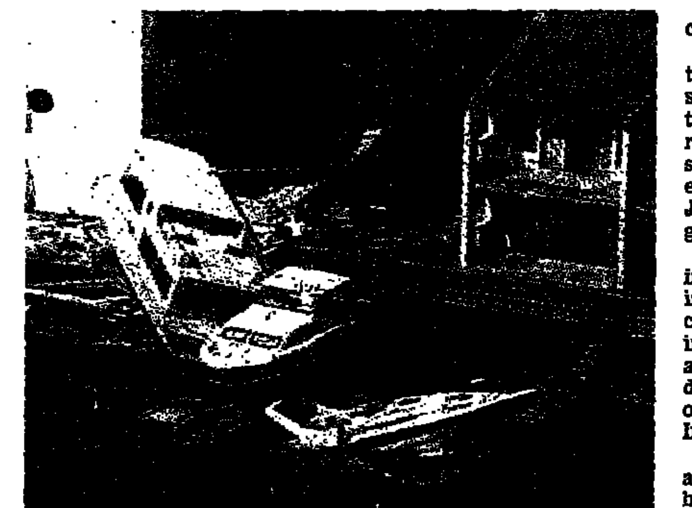
In the Caribbean, the hurricane season has been the most active since records began. Storms have devastated several islands, mainly in the north east of the region. Buildings have been levelled in Antiga, Barbuda, St Martin, and St Thomas in the US Virgins.

There has also been extensive damage to parts of Puerto Rico, Anguilla and St Kitts, while the banana farms on Dominica were destroyed and those in neighbouring islands extensively damaged.

Preliminary damage estimates for the Caribbean have reached $2.3bn, of which about 60 per cent is expected to have been covered by insurance policies.

Already, the total cost of US storm damage is the highest since 1992, when Hurricane Andrew – the world's costliest natural catastrophe – caused $15.5bn insured losses.

The ripple effects on insurers and reinsurers (which specialise in providing cover to insurers against big losses) have yet to be quantified accurately but will be spread worldwide.



Hurricanes have devastated several Caribbean islands

Royal Insurance, the UK-based insurer, says its losses from Hurricanes Marilyn and Luis will be £20m to £25m. Lloyd's of London is also expecting claims running into tens of millions of dollars from Marilyn but says it is too early to quantify Hurricane Opal costs.

However, the total bill is not yet causing insurers to worry overly about this year's profits. Since Hurricanes Andrew and Hugo in 1989 (which caused $4.2bn in damage), underwriting techniques have improved, premium rates increased and insurers are becoming more sophisticated at gauging and controlling exposure to risk.

The new generation of Bermuda-based catastrophe reinsurers, for instance, into which more than $4bn of capital has flowed since 1992, have not publicly estimated possible losses. But they are playing down the storms' impact. As Mr Herbert Haag, chief executive of Partner Re, puts it: "It will not be something that will rob my sleep."

More worrying for insurers are signs that this year's hurricane season is part of a steep change in climatic conditions after a period of relative calm.

In the 40 years before 1970, hurricanes of category three or above (winds in excess of 110 miles per hour) hit the US mainland on average about once a year, according to the New York based Insurance Information Institute.

In the following 20 years that fell to once every two years. But Hurricane Gilbert in 1988 (which caused $1bn of damage in mainly Jamaica and the Cayman Islands), Hugo, Andrew and this year's storms appear to herald a return to more "normal" frequency.

Global warming may be one explanation. Scientists, however, are divided on whether pollution has had a significant impact on weather patterns. The fact that the figures are returning to historic levels, rather than reaching new peaks also undermines the global warming theory.

Hurricane damage, however, is costing more as more expensive buildings are constructed, more people live nearer coasts, and more buy insurance.

One consequence is upward pressure on premiums. Despite rises since the late 1980s, some rates have been softening on the back of insurers' increased profitability. This year's hurricanes should act as a brake.

"My fear is about the industry's ability worldwide to withstand the pressure, with catastrophes happening in other regions, such as the Far East," said Mr Dennis Lalor, chief executive of ICWI Group, a Jamaican financial services group which includes insurers.

More dramatic than rate increases would be moves by insurers to pull out of covering certain areas. This is happening in Florida, where the insurance market is described as "a disaster" by Mr Sean Mooney of the Insurance Information Institute.

In New York, some insurers are threatening to withdraw hurricane coverage from areas such as Long Island, which could suffer unprecedented losses if it was struck by a severe hurricane.

Caribbean governments are worried that lack of affordable reinsurance cover will curb development.

One reason why insurers are withdrawing cover, in the US at least, may be restrictions placed on policy terms by state regulators, which have prevented companies increasing rates as fast and by as much as they would like. But regulators are also introducing legislation restricting the speed at which coverage can be withdrawn.

Many observers and insurers argue that the problem has gone beyond regulatory issues. Among Caribbean countries, there are calls for governments to speed up the introduction of stricter building codes and to prevent developers from using catastrophe-prone land.

In the US, schemes have been introduced in Florida and Hawaii which, by pooling resources, act as catastrophe funds to spread risk state-wide. But protection is not 100 per cent and pressure is growing for the federal government to take a more active role.

Ralph Atkins and Canute James

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / **Philip Coggan**

Fear and loathing in Canada's result

Canada has a reputation for being nice-but-worthy and, as an investment area, it has seldom set the pulses racing.

But today's independence referendum in Quebec could cause turmoil in Canadian bonds and may prompt some vigorous debate between bondholders and the Canadian authorities.

Early opinion polls appeared to indicate a victory for the No camp but more recent samplings have shown the secessionist camp holding a slight lead.

As a consequence, the Canadian dollar and bond markets have gone into retreat, investors have sold shares in Quebec-based companies and Quebec citizens and businesses are shifting assets and bank accounts out of the province.

"A yes vote would prompt a very sharp sell-off in the Canadian bond market", said Ms Katy Peters, senior economist at Daiwa Europe.

The main problem is likely to be the massive uncertainty which will follow a separatist vote. Pro-secessionists say they will negotiate a new deal with Canada; if, after 12 months, they have not reached agreement, they will go their own way.

One particular problem is how to divide up the national debt between Quebec and the rest of Canada. Canada's debt-to-GDP ratio is expected to be around 73 per cent this financial year, although that climbs to 100 per cent if all the provinces are included.

The Francophone province has around a quarter of the national population but the separatists are suggesting that an independent Quebec should take on only 17-18 per cent of the total debt.

Negotiations on this issue could be fraught, especially as Quebec already carries provincial debt of C$96bn, equivalent to around 58 per cent of its own gross domestic product.

A unusually rosy study by Mr Albert Gordon, an advisory director to PaineWebber, estimated that, in the worst case, an independent Quebec would have a debt burden equivalent to 108 per cent of its gross domestic product. This assumes that Quebec takes on 22.8 per cent of federal debt but gets an 11.7 per cent share of federal assets.

However, a study by the CD Howe Institute, a Toronto-based thinktank, said that in a "best case scenario", Quebec would have a debt-to-GDP ratio of 106 per cent and a budget deficit equivalent to 9 per cent of GDP. While there are worse cases in the developed world, these are pretty hairy figures and hardly make Quebec debt attractive.

But even assuming that Canada and Quebec could come to some sort of agreement on the amount of debt to be taken on, how would such a transfer actually be accomplished? Would investors find that one-in-four of their Canadian government bonds suddenly became Quebec bonds?

How would the maturity structure and coupon profile be affected?

One can certainly imagine that international investors would be aggrieved, and demand compensation, if their Canadian bonds were compulsorily replaced by Quebec bonds of lower credit quality (the latter are currently rated A2/A+ by the agencies).

Ms Peters says there are signs that some investors are buying bonds issued by Ontario, since it is the largest province and they know they will not be swapped into Quebec debt.

An alternative (and simpler) approach would be for Quebec to pay the Federal government each year sufficient funds to cover its share of the national debt. But that would lower the credit quality of Canada as a whole, since it would leave the way open for disputes and potential Quebec defaults in future.

Further uncertainty arises from the separatists plan to maintain the Canadian dollar. It is not clear how long this would last since, as many UK Europhobes will attest, it could be very difficult to run an independent economic policy without a separate currency.

All these issues have taken their toll on Canadian bonds, with the spread over US Treasuries widening to 190 basis points at the 10-year level. But markets may not really have priced in the possibility of a complete breakaway; spreads have been as wide as 300 basis points in the past.

Some investors seem to be counting on the undecided members of the electorate to vote No.

Ms Peg Hadzima, director of global bonds research at Scudder Stevens & Clark in Boston, says that "I think that rational behaviour will prevail at the polls as it has in the past. From the distress levels in bonds seen last week, there may be a buying opportunity."

Daiwa Europe's Ms Peters says that if there is a Yes vote "spreads will initially widen substantially, but then narrow at the short end as investors work out that it will take some time to negotiate a deal. Conversely, a no vote will be greeted with relief, with spreads narrowing, but then investors will realise that a narrow victory means the issue will come up again."

According to the Bank Credit Analyst, in the event of a Yes vote, "capital markets would at a minimum force Canada to eliminate its dependence on foreign capital via punishingly high interest rates and an extremely undervalued currency. Secondly, as in Mexico, domestic capital flight would play a key role in driving down the Canadian dollar. Quebec has no power to prevent capital flight before it becomes a country."

A separatist vote might prove an interesting financial experiment, albeit one which could be painful for bond investors.

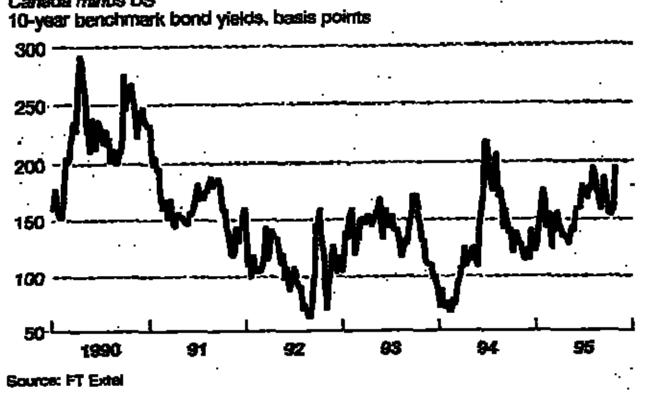
They have suffered from political change in the past, of course, notably when Communist governments took over in Russia and China.

But it is hard to think of a modern example of a democratic country, active in the financial markets, splitting itself in two.

With separatist movements still active in the world, notably in the United Kingdom, Quebec could prove a useful test case.

Yield spread

Canada minus US
10-year benchmark bond yields, basis points



Source: FT Extel

Total return in local currency to 26/10/95

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.00	0.08	0.12	0.20	0.12
Month	0.49	0.04	0.34	0.52	0.86	0.57
Year	6.50	2.75	5.56	6.39	10.13	7.38
Bonds 3-5 year						
Week	0.07	0.17	0.20	0.34	-0.17	0.31
Month	1.43	0.62	0.83	1.02	0.92	1.02
Year	12.95	13.96	13.49	11.54	13.86	13.63
Bonds 7-10 year						
Week	-0.27	0.50	0.24	0.59	-0.59	0.48
Month	2.09	-0.55	1.30	1.15	0.06	0.90
Year	19.39	18.10	16.27	14.83	12.86	15.62
Equities						
Week	-2.3	-1.5	-1.9	-0.1	-0.6	-1.5
Month	-0.5	-0.1	-3.9	-2.7	-9.3	-0.1
Year	28.6	21.3	5.7	1.1	-2.2	21.3

Source: Cash & Bonds - Lehman Brothers. Equities - NatWest Securities.
The FT-Actuaries World Indices are owned by The Financial Times Limited, Goldman Sachs & Co. and Standard & Poor's.

COMMODITIES — Richard Mooney

Aluminium trade gathers

Members of the Aluminium Federation should have plenty to talk about when they gather in London on Wednesday for their annual dinner. During last week's annual London Metal Exchange jamboree leading analysts of their industry queued up to give their assessments of the market prospects for aluminium (and all the other base metals).

Mr Tony Bird of the Anthony Bird Associates consultancy thought the metal's price would not fall much further, but neither would it rise much in the near future; Mr William Adams of LME broker Rudolf Wolff agreed that further falls were unlikely but was much more bullish, seeing a move to $2,200 a tonne (30 per cent above the present level) late next year; and still more bullish was Mr Wiktor Bielski of Bain and Company, part of the Deutsche Bank group, who saw the price spiking to $5,500 a tonne before 1998.

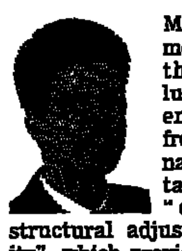
Another likely topic of conversation is the looming prospect of capacity restarts following the lapsing of last year's international "memorandum of understanding" on restraining production.

● Other events this week include the four-day annual assembly of the Association of Natural Rubber Producing Countries, beginning today in Singapore; and delegates there will have at least half an eye on the meeting of European Community foreign ministers in Luxembourg today and tomorrow, where a decision is due to be taken on signing the new, price-stabilising International Natural Rubber Agreement.

On Wednesday the world's first pea futures contract will start trading at the Winnipeg Commodities Exchange. On the same day a three-day conference on Mining and Mineral Resources Policy in the Asia-Pacific region begins in Canberra and the five-day annual session of the International Lead and Zinc Study Group concludes in Geneva. Also concluding on Wednesday is the three-day Indochina and Myanmar (Burma) Mining Congress in Bangkok.

Economics Notebook / **Robert Chote**

Difficulties of assessing ESAF



Malawi this month became the latest lucky recipient of help from the International Monetary Fund's "enhanced structural adjustment facility", which provides financial assistance to developing countries that are trying to reform or stabilise their economies. Unfortunately history suggests it may not do any good.

The ESAF is supposed to make it easier for countries to undertake structural reforms by providing subsidised loans which will tide them over any balance of payments problems that might otherwise blow them off course. It was set up in the late 1980s, as the successor to the earlier "structural adjustment facility". In total about $8bn has been disbursed to almost 50 countries.

Malawi is due to receive about $70m over the next three years. Like all ESAF loans, it will carry a below-market interest rate of 0.5 per cent and have to be paid back between 5½ and 10 years after disbursement.

Malawi is certainly in need of assistance. The country's financial position worsened rapidly early last year as tax and spending policy was loosened in the run-up to its first multi-party elections in May.

The government financed this pre-election spree by borrowing from the banking system. Together with a drought and sharp fall in the country's currency, this pushed inflation to 66 per cent by the end of the year. National output meanwhile fell 12 per cent, an even sharper decline than Mexico suffered in the wake of its financial crisis this year.

ESAF money always comes with onerous strings attached. Under the economic strategy agreed with the IMF, the Malawian government aims over the next three years to achieve economic growth of more than 4.5 per cent a year, to cut inflation to 5 per cent and to achieve a sustainable balance of payments position. To that end it aims to cut government borrowing sharply and accelerate privatisation.

"Early restoration of fiscal discipline will be crucial to Malawi's financial stability. In view of the important role of external financing, a strong commitment to the implementation of the program will be essential to avoid slippages that could undermine donor confidence and impede timely disbursements," the IMF said when the help was agreed.

But will it work? The international community certainly has confidence in ESAF. The IMF's annual meeting in Washington agreed earlier this month that the scheme should be made permanent. The repayment of existing loans means ESAF should become self-financing from 2005 onwards, although extra funds will have to be secured to keep it going until then.

The Fund evaluated ESAF's performance in 1993*. Not entirely surprisingly, its conclusions were broadly positive. The study looked at the 19 mostly African countries that had undertaken ESAF programmes by the middle of 1992. It found that the countries involved had reduced the growth of their domestic credit, raised real interest rates and depreciated their real exchange rates – boosting competitiveness. They had less success cutting government borrowing, however.

The study found that the performance of most ESAF participants improved on a number of indicators, although there were some outright failures. The programs were on average associated with stronger export growth (although this did not feed through to reductions in the current account deficit as a proportion of national income). Around half the countries also saw their external viability improve.

IMF help is often interpreted as a "seal of approval" which should encourage other investors and donors to put money into a country. But the evidence that ESAF arrangements have this catalytic effect is mixed. The 1993 study suggested that net capital inflows fell in almost as many ESAF-program countries as they increased.

Tony Killick, senior research fellow with London's Overseas Development Institute, argues that if donor countries have been persuaded to support the renewal of ESAF by the Fund's report, then they may have been misled. He argues that it is far from clear, for example, that a rise in average economic growth rates from 2.1 per cent before an ESAF program to 2.8 per cent after can be taken as evidence of the scheme's success given the small number of countries involved.

Mr Killick also argues that it is difficult to draw firm conclusions about the success of ESAF because the vigour with which the programs are implemented varies widely from country to country. He argues that the evidence "provides little support for the claim that those which secured the greatest progress towards viability undertook the strongest measures". Improvements in country performance could also come from other sources than ESAF, such as debt write-off, changes in export prices or better weather.

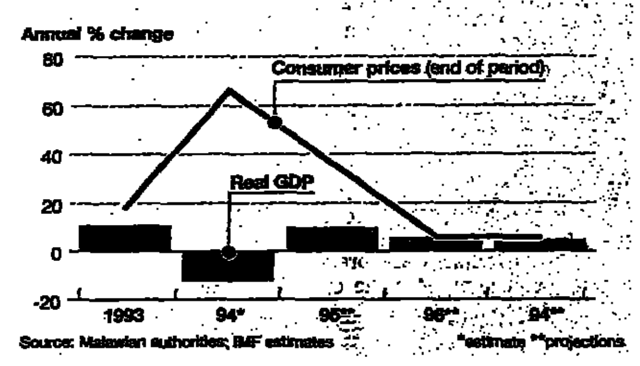
The creation of ESAF in 1987 was a welcome recognition that many low-income countries needed an extended period of subsidised financial assistance if deep-seated balance of payments problems were not to derail economic reform. The value of the help provided remains difficult to to assess, however.

This lack of evidence for ESAF's success has not prevented its extension being agreed in principle. But it remains to be seen whether it will prevent the raising of the finance which is needed to achieve that objective.

*Schadler et al, Economic adjustment in low-income countries, Occasional paper 106, IMF 1993.

**Killick, IMF programmes in developing countries, Routledge 1995.

Malawi: a suitable case for treatment?



Source: Malawian authorities; IMF estimates *estimate **projections

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 27 1995								THURSDAY OCTOBER 26 1995					DOLLAR INDEX		
	US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (82)	180.50	5.2	169.37	116.04	131.44	159.14	8.1	4.08	182.57	171.98	117.48	133.04	160.72	191.01	157.95	173.10
Austria (27)	168.94	-7.5	158.52	108.61	123.02	122.98	-16.4	1.38	170.80	160.68	109.78	124.32	124.29	199.28	167.48	181.85
Belgium (95)	194.04	15.2	182.08	124.74	141.29	137.72	4.2	3.80	194.66	183.37	125.28	141.87	138.32	201.12	164.78	169.73
Brazil (26)	136.93	-16.1	128.48	88.02	99.70	242.28	-4.8	1.74	134.28	126.47	86.40	97.85	237.59	–	–	–
Canada (100)	135.84	5.0	127.46	87.32	98.91	134.78	2.6	2.73	135.78	127.89	87.37	98.96	134.26	150.83	121.81	136.26
Denmark (33)	282.29	12.1	264.88	181.47	205.55	208.49	0.0	1.55	283.85	267.35	182.65	206.85	210.23	295.99	236.81	255.74
Finland (25)	223.96	20.4	210.14	143.97	163.07	198.70	7.4	1.61	226.81	213.63	145.95	165.28	201.37	276.11	171.13	201.41
France (100)	169.95	3.9	159.46	109.25	123.75	129.85	-5.2	3.38	169.40	159.56	109.01	123.45	130.89	191.17	157.79	168.10
Germany (59)	156.66	8.6	148.06	100.07	113.35	113.35	-1.9	2.12	158.10	148.91	101.74	115.21	115.21	167.74	135.39	142.58
Hong Kong (55)	372.41	14.2	349.45	239.41	271.18	369.74	14.1	3.93	375.80	353.97	241.83	273.66	373.08	391.00	277.40	377.73
Ireland (16)	241.66	17.3	226.94	155.48	176.11	210.23	11.7	3.58	242.41	228.32	155.99	176.66	211.38	250.55	195.34	208.31
Italy (59)	70.57	-6.3	66.22	45.37	51.39	84.09	-7.8	1.81	70.67	66.57	45.48	51.50	84.54	82.71	65.45	77.07
Japan (483)	137.75	-12.2	129.25	88.55	100.30	88.55	-10.5	0.86	140.51	132.34	90.41	102.39	90.41	164.82	136.95	162.34
Malaysia (108)	471.68	-1.6	442.59	303.23	343.46	460.05	-2.4	1.79	472.81	445.34	304.25	344.56	462.34	581.96	398.16	542.71
Mexico (18)	916.50	-35.3	859.98	589.18	667.35	7109.58	-6.8	1.96	915.16	861.97	588.90	666.90	6949.08	2155.31	647.81	2118.68
Netherland (19)	251.81	16.1	236.28	161.88	183.36	180.34	5.0	3.62	254.11	239.34	163.52	185.18	182.07	263.99	207.60	218.14
New Zealand (14)	81.20	15.2	76.19	52.20	59.13	65.64	12.3	4.35	81.54	76.81	52.47	59.42	65.91	85.49	69.56	75.44
Norway (33)	225.99	6.0	212.05	145.28	164.56	190.35	-2.7	2.20	228.85	216.55	147.28	166.76	193.11	243.79	192.92	205.21
Singapore (44)	369.60	-0.9	346.81	237.60	269.13	241.06	-3.8	1.70	369.52	348.05	237.79	269.29	241.25	414.26	313.94	397.43
South Africa (45)	358.68	6.5	336.56	230.58	261.18	285.00	-5.0	4.06	363.17	342.06	233.70	264.65	268.58	368.62	281.06	336.89
Spain (38)	145.25	10.1	136.30	93.38	105.77	133.81	1.7	4.22	145.15	136.72	93.40	105.77	134.49	160.51	124.10	140.80
Sweden (48)	306.05	32.4	287.18	196.75	222.86	299.28	17.7	2.00	308.49	290.57	198.51	224.81	303.52	320.43	225.80	242.34
Switzerland (41)	219.07	32.6	205.56	140.83	159.52	153.80	14.8	1.73	221.51	208.84	142.54	161.42	156.46	223.54	158.38	161.28
Thailand (46)	157.38	-0.5	147.68	101.18	114.60	153.50	-0.4	2.65	157.91	148.73	101.61	115.07	153.95	–	–	–
United Kingdom (206)	222.99	14.5	209.24	143.35	162.38	209.24	13.3	4.10	223.47	210.48	143.80	162.85	210.48	227.31	187.07	201.72
USA (503)	237.50	26.5	222.85	152.68	172.94	237.50	26.5	2.48	238.38	222.65	152.11	172.26	236.36	242.04	182.33	190.13
Americas (849)	216.18	24.1	202.85	138.97	157.41	181.62	24.5	2.48	215.17	202.67	138.46	156.80	180.72	–	–	–
Europe (738)	191.44	13.3	179.63	123.07	139.39	159.81	8.0	3.16	192.44	181.25	123.83	140.23	161.14	199.02	163.04	172.51
Nordic (139)	278.09	23.9	260.94	178.78	202.50	233.11	10.7	1.88	280.54	264.24	180.52	204.44	236.17	295.02	215.79	233.85
Pacific Basin (832)	148.86	-9.4	139.68	95.69	108.39	99.07	-8.2	1.32	151.48	142.67	97.47	110.39	100.90	173.62	145.93	171.51
Euro-Pacific (1570)	166.51	0.2	156.24	107.04	121.24	121.94	-2.4	2.20	168.46	158.66	108.40	122.75	123.67	178.33	154.79	171.81
North America (603)	231.22	25.6	216.96	148.64	168.36	230.64	25.4	2.49	230.17	216.79	148.11	167.73	229.56	235.91	178.86	186.79
Europe Ex. UK (532)	170.51	12.7	159.99	109.61	124.15	133.01	2.0	2.62	171.70	161.72	110.49	125.12	134.57	179.46	146.45	153.27
Pacific Ex. Japan (349)	252.75	6.1	237.17	162.49	184.05	221.64	6.3	3.31	254.56	239.77	163.81	185.51	223.26	266.72	211.19	260.96
World Ex. US (1761)	167.36	0.0	157.04	107.59	121.87	125.39	-2.4	2.25	169.22	159.39	108.89	123.32	127.06	179.73	155.42	173.71
World Ex. UK (2058)	185.61	8.6	174.16	119.32	135.15	162.63	6.8	2.15	186.57	175.73	120.05	135.96	163.57	191.32	163.46	175.94
World Ex. Japan (1781)	217.26	18.3	203.86	139.67	158.20	201.81	15.5	2.81	217.27	204.65	139.81	158.33	202.10	221.43	178.95	188.60
The World Index (2264)	188.87	9.1	177.22	121.42	137.53	157.56	7.4	2.34	189.79	178.76	122.13	138.30	158.53	194.25	165.92	178.12

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 128.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 140.84 (Local). Constituent changes during the week ending 27/10/95: Deletion: Fisons (UK). Name change: Renison Goldfields Consolidated to RGC Ltd. (Australia).

هكذا من الأصل

EMERGING MARKETS: This Week

The Emerging Investor / Ted Bardacke

Problems of trust in Bangkok

A scheme intended to stimulate additional foreign investment in the Thai stock market has so far had the opposite effect.

But those investors who lost out last week during the general sell-off of shares specifically set aside for foreign investors should not fret too much: premiums on foreign-registered shares will still be a permanent fixture on the Thai bourse.

Foreign premiums arose because overseas investors could not hold more than 25 per cent of Thai bank and finance companies, or more than 49 per cent of other companies. Above that limit, foreigners who want to buy often pay a premium due to the limited supply of shares available for foreigners. For some of the more popular companies among foreign investors, this premium can run as high as 50 per cent.

Complaints that the extra expense of getting into the market was holding back foreign participation led Thai authorities to consider ways of getting around the foreign ownership limits. After more than two years of negotiations they have come up with a plan that would skirt the limits by setting up Thai trust funds to hold local stock for foreigners.

Theoretically, the trust funds should wipe out the foreign premium by giving everyone equal opportunity to buy all shares. This explains the panic selling during the week when the plan was announced – in spite of the fact that the regulations governing trust funds must still wind their way through several stages of the notoriously slow Thai bureaucracy before becoming law.

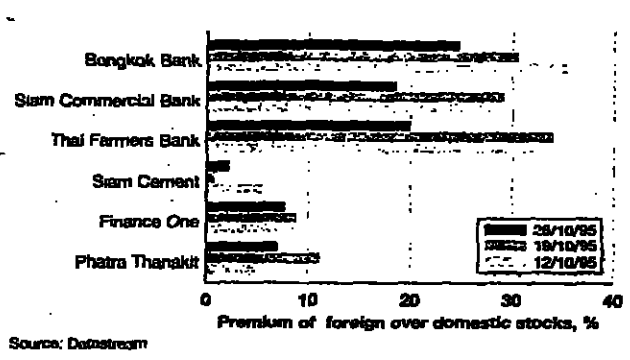
The finance minister, Mr Surakiart Sathirathai, has made approval of the trust-funds a top priority, but the instability of the present government means he may not be around long enough to guide the trust funds to the implementation stage, probably sometime in early 1996.

Even if the trust funds are implemented, analysts are unanimous in the belief that the foreign premiums will remain, mainly because so many investors will be ineligible to use the funds due to regulations in their home markets. Mr George Morgan, director of H.G. Asia and president of the foreign brokers association in Thailand, estimates that as many as 80 per cent of all current foreign investors in Thailand will not be able to use the new vehicle.

Reasons for ineligibility fall into three main categories.

- Investors in the trust fund will have no voting rights in the underlying equities except in extremely limited circumstances. This will prevent many US institutional investors, including pension funds, from participating.
- Other funds, especially in the UK, are prohibited by trustees from investing in mutual funds and unit trusts that are not diversified. As the holdings of the Thai trust funds will be limited to one company each, many fund managers will have to ask for a special exemption in order to take advantage of the new plan.
- Some custodian banks may not be willing to accept the paper issued by the trust funds as proof of legal ownership of the local share.

Thailand



Source: Datastream

While demand may be low, there will also be limits on the supply side as well. Thai companies will join the scheme on a voluntary basis and determine the number of local shares eligible to be bought by the trust. While officials at the Stock Exchange of Thailand say most companies have expressed interest in joining, banks could be forced to keep the number of shares in the trust fund as low as 5 per cent as a result of regulations preventing any one person from owning more than that amount.

Other companies may choose not to participate at all in order to make money through a future rights offer with a foreign tranche.

Some companies are understood to be worried that putting their shares in a fund with no voting rights could alter the balance of power among the voting shareholders, thus complicating board nominations.

Some fund managers who are not bound by the voting rights and other restrictions already own local shares through special holding companies or "street" custodians. One Hong Kong-based fund manager says he will stop using this quasi-legal set up and move into the trust funds once they are available.

The manager expects people like him, rather than those investors who hold foreign-designated shares, to snatch up most of the trust fund shares.

Hence the conventional theory – that foreign premiums will fall because investors will switch out of foreign-registered shares into trust funds – may prove to be a fallacy.

Analysts forecast that, while they will remain, the introduction of the trust funds means that huge foreign premiums are likely to become a thing of the past.

Nevertheless, there may be a slight rebound in the medium-term as investors realise their implementation is still some time away. In the longer-term, local shares should climb a bit due to higher liquidity.

In the meanwhile, and until they can figure out if they are eligible to purchase the new trust funds, some fund managers are simply choosing to sit on the sidelines. "Everyone took something of a hit and now we are trying to minimise the damage," says Mr Ian Beattie, a fund manager with Royal Insurance Asset Management. "If everything goes smoothly we should be alright, but if implementation drags on, then the foreign premiums will not rebound, nor will the local price appreciate. I am thinking of getting into Thai convertible bonds as a substitute for a while."

Mexico

The Mexican peso suffered one of its greatest falls of the year last week on worries about the government's ability to control inflation and help bring about a recovery to the country's severe recession, *writes Daniel Dombey in Mexico City.*

On Thursday, the peso closed at 7.235 to the dollar, down more than 8 per cent from 6.65 at close of trade the previous week. The IPC index, the leading stock market indicator, closed at 2,187 points, down more than 6 per cent from the previous Friday.

However, bargain hunting helped both the currency and stock market make up some of the lost ground on Friday, bringing the peso to 7.09, and the IPC to 2,246.

Earlier in the week third-quarter results, relatively strong for export-oriented companies, were largely swept aside by negative sentiment about macro economic indicators.

"You have had such a bad environment that companies have come out with good results and yet seen their stock fall 5 per cent or more the same day," said Mr Felix Boni, at James Capel in Mexico City.

The peso had been unsettled through the preceding month by concerns about the government's budget next year, to be announced by November 15, and perceptions of administration drift. Interest rates have steadily climbed since mid September, to stand at more than 42 per cent in primary auctions for 28 day government paper.

Interest rates in secondary markets for government paper went still higher after the publication of disappointing inflation figures for the first half of the month. Investors also became particularly concerned about the terms of the "pacto," a general agreement on wages and prices, and prospects for economic recovery ne xt year.

Mr Rodolfo Navarrete, analyst at Vector, a stockbroker in Mexico City, said: "So far institutional investors have just been watching events, without moving much themselves."

News round-up

Chile

Shares and trading volumes were up sharply at the start of the week, following an EGM on Monday of the GT Chile Growth Fund, *writes Imogen Mark in Santiago.*

Regent Kingpin, a UK fund manager and minority shareholder, had made a bid to take management control of the fund.

Investors had been nervous over the implications of a possible sale of the fund's assets, worth some $600m, had Regent Kingpin won, in a market where average daily volume is only $45m.

But prices took a tumble towards the end of the week, partly as a result of the knock-on effect of uncertainties regarding Mexico.

Domestically prices were boosted by rumours that only one of two projected gas pipelines from Argentina would now go ahead. Transgas, one of the two rival consortia involved, announced that Entergy of the US, one of its three major clients, had withdrawn from the $690m project. The news fed market speculation that Transgas would not now proceed.

Debt Fund

An emerging markets debt fund, believed to be the first such fund to be listed on the London Stock Exchange, is to launched next month. Baring Asset Management will manage the Sovereign Debt Trust, sponsored by Greig Middleton. The trust, incorporated in the Irish Republic, will invest mainly in sovereign debt, while a proportion will also be in Brady bonds.

- *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

CURRENCY MARKETS — Philip Gawith

All eyes on the referendum in Quebec

The Canadian dollar is hardly a luminary of the currency markets.

According to the Bank for International Settlements' 1995 survey of the foreign exchange markets, it is involved in only about three per cent of overall turnover.

But this Cinderella status will count for little if the Quebec electorate votes today for separation from Canada.

Such an outcome could unleash on world financial markets a similar blow to that delivered last year by Mexico.

History records that waverers are likely, at the last minute, to make their decision to cast their vote in favour of the status quo.

But if the vote favours separation, then a tidal wave of Canadian dollar sales can be anticipated.

Although it came under pressure a week ago, this did not appear to be the result of foreign investor selling.

So, in the event of a no vote, there will be a lot of pent-up selling pressure ready to be released.

If this results in all foreign investors running for the exit at once, the currency cannot but fall sharply.

With the Mexican example fresh to hand, it is impossible to believe that the consequences of financial dislocation in Canada would not contaminate the rest of the currency markets.

Last time the dollar was the victim.

But a similar melt-down to that seen in the first quarter seems inconceivable, if only because the Japanese and German monetary authorities will not sanction a replay.

"If Canada does not produce fireworks, then traders will have to return to more mundane matters.

One focus will be on Europe.

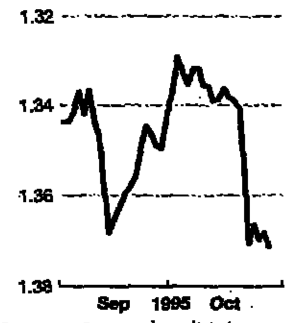
At the tail end of last week, some of the recent rally in the D-Mark was unwound after developments in Italy and France both dented the "Euro-disintegration" thesis.

No-one will be taking the durability of this development for granted.

Elsewhere, markets will be looking to the US employment report, out on Friday, for hints at how monetary policy is likely to develop.

Canadian dollar

Against the US dollar (C$ per US$)



Source: FT Extel

Baring Securities emerging markets indices

Index	27/10/95	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (362)	140.55	-6.14	-4.19	-5.94	-4.05	-17.49	-11.06
Latin America							
Argentina (23)	71.33	-6.27	-8.08	-5.51	-7.17	-14.78	-17.17
Brazil (23)	176.47	-20.98	-10.62	-19.68	-10.03	-32.90	-15.72
Chile (15)	186.60	-2.18	-1.15	+5.13	+2.83	-24.97	-11.80
Mexico (24)	63.22	-7.84	-11.03	-12.63	-16.65	-34.43	-35.24
Peru (15)	923.21	-116.47	-11.20	-94.74	-9.31	+74.54	+8.78
Latin America (100)	110.04	-11.03	-9.11	-11.87	-9.73	-28.73	-20.71
Europe							
Greece (20)	103.18	-1.47	-1.40	-1.31	-1.26	+16.18	+18.60
Portugal (23)	119.19	-0.49	-0.41	+3.88	+3.37	+2.91	+2.50
Turkey (21)	107.54	-4.29	-3.84	+8.74	+8.85	+31.43	+41.29
South Africa (33)	142.05	-1.56	-1.09	+4.25	+3.08	+14.10	+11.02
Europe (97)	117.41	-1.50	-1.26	+3.51	+3.08	+19.72	+20.18
Asia							
Indonesia (32)	145.05	-2.79	-1.89	+4.35	+3.09	+11.36	+8.50
Korea (23)	155.15	+0.80	+0.52	+5.23	+3.49	+15.27	+10.92
Malaysia (22)	220.70	+0.92	+0.42	-8.28	-3.62	+9.84	+4.67
Pakistan (16)	81.87	+2.03	+2.54	-6.28	-7.12	-24.33	-22.91
Philippines (15)	252.04	-10.93	-4.16	-13.66	-5.14	-30.09	-10.66
Thailand (26)	249.87	-3.19	-1.26	-0.35	-0.14	-1.77	-0.70
Taiwan (31)	127.92	-0.56	-0.43	-3.42	-2.60	-56.23	-30.53
Asia (163)	204.15	-1.30	-0.63	-2.99	-1.45	-6.46	-3.07

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, October 27, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7018.81	4442.00	3171.50	4367.75
Albania	(Lek)	143.236	90.6500	64.7223	89.1347
Algeria	(Dinar)	79.0454	50.0255	35.7172	49.1893
Andorra	(French Fr)	7.6964	4.8710	3.4778	4.7896
	(Sp Peseta)	192.134	121.600	86.8199	119.567
[illegible]					

[illegible]

ATHENS STOCK EXCHANGE 20 - 27 Oct '95 — GREECE

ASE INDEX	937.53	P/E 95e (after tax)	13.4	GDP (USD bn)	109.83
%Chg (Prev. Wk)	-0.04	P/E 94 (after tax)	16.0	Per Capita Income (USD)	9,810
Yearly High	998.75	EPS GROWTH (%) 95e	27.2	Inflation Rate (% Y.O.Y, Sept 95)	8.40
Yearly Low	782.22	P/CE 95e/94	8.6/ 9.8	12 month T-bill (%, end of Sept issue)	14.25
WEEKLY VOLUME (USD m)	168.68	P/BV 95e/94	3.5/ 3.3	1-month Athibor (%)	15.23
%Chg (Prev. Wk)	21.71	Div. Yield (%) 95e/94	4.9 / 4.4	GRD-US$	230.75
1 Y Wk Avg. (USD m)	92.44			A.S.E. Market Capitalisation -20/10/95 (USD bn)	17.59
				IPOs & Rights Issues (USD m Jan'95-27 Oct '95)	278.15

NOTICE OF FULL REDEMPTION AND TERMINATION OF CONVERSION RIGHTS

The Bank of Tokyo, Ltd.

U.S. $100,000,000

3 3/8 Per Cent. Convertible Bonds Due 2004 (the "Bonds")

NOTICE IS HEREBY GIVEN that, in accordance with the provisions of the Trust Deed dated 7th March, 1989 between The Bank of Tokyo, Ltd. (the "Company") and Bankers Trustee Company Limited as Trustee, the Company has elected to exercise its rights to, and shall, redeem on 30th November, 1995, all of its outstanding Bonds (the aggregate amount of which was U.S. $72,405,000 as of 20th October, 1995) at a redemption price of 102 1/2 per cent. of the principal amount of the Bonds together with accrued interest thereon to such date of redemption.

The payment of the principal amount and accrued interest will be made on and after 30th November, 1995 upon presentation and surrender of the Bonds, together with all coupons appertaining thereto maturing on or subsequent to 31st March, 1996 at the principal office in the city indicated below of any of the following Paying Agents:

Bank of Tokyo (Schweiz) A.G. in Zurich

The Bank of Tokyo (Luxembourg) S.A. in Luxembourg

The Bank of Tokyo, Ltd. in Brussels

The Bank of Tokyo, Ltd. in London

On and after 30th November, 1995, interest on the Bonds will cease to accrue.

For the information of the bondholders, the Conversion Price (as defined in the Terms and Conditions of the Bonds) of the Bonds as at the date hereof is ¥1,772.90, the Closing Price (as defined in the Terms and Conditions of the Bonds) on the Tokyo Stock Exchange of the shares of common stock of the Company as at 24th October, 1995 was ¥1,530 and the rate of exchange applicable upon conversion is ¥127.60 = U.S. $1.00. Each bondholder who wishes to convert his Bonds should deposit his Bonds, together with all unmatured coupons, with any of the Conversion Agents accompanied by a notice of conversion (the form of which notice is available from any of the Conversion Agents). SUCH CONVERSION RIGHTS WILL TERMINATE AS TO ALL BONDS AT THE CLOSE OF BUSINESS ON 30TH NOVEMBER, 1995.

The Bank of Tokyo Trust Company
as Principal Paying Agent and Conversion Agent

Dated: 30th October, 1995

Türkiye Cumhuriyeti

(The Republic of Turkey)

U.S.$255,000,000

comprising

Tranche A: U.S.$85,000,000 Floating Rate Notes Due 1996
Tranche B: U.S.$85,000,000 Floating Rate Notes Due 1997
Tranche C: U.S.$85,000,000 Floating Rate Notes Due 1998

Notice is hereby given that the Rate of Interest for the Interest period October 30, 1995 to April 30, 1996 has been fixed at 7.625% and that the Interest payable on the relevant Interest Payment Date April 30, 1996 against Coupon No. 2 will be U.S.$193.80 in respect of U.S.$5,000 nominal of the Notes and U.S.$1,938.02 in respect of U.S.$50,000 of the Notes.

By: Citibank, N.A. (Issuer Services), Agent Bank
October 30, 1995 CITIBANK

WORLD BOND MARKETS: This Week

NEW YORK — Maggie Urry

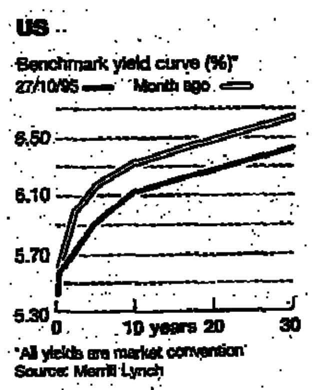
The bond market had a see-saw week, ending with the yield on the long bond barely changed at 6.35 per cent. That was in spite of indications that the economy is growing at a much faster pace than had been expected, putting off the chance of an interest rate cut at least until the December 19 meeting of the Federal Reserve Open Market Committee.

Stronger than predicted durable goods orders, reported on Thursday, sent the market lower. That was reinforced on Friday, when third-quarter gross domestic product growth was estimated by the Commerce Department at 4.2 per cent annualised, well above expectations of 2.5 per cent.

Although the market reacted badly initially, bond prices recovered sharply in the afternoon. Political developments in Europe strengthened the dollar, which boosted the bond market.

Even so, bonds still have to surmount any challenges posed by the continuing wrangling over the budget deficit and the debt ceiling.

This week will give the first clues as to how the economy is faring so far in the fourth quarter, with the October employment statistics due on Friday. The median forecast, according to MMS International, is for the unemployment rate to be unchanged from September's 5.6 per cent. But a rise in hours worked and earnings may give cause for concern.



LONDON — Conner Middelmann

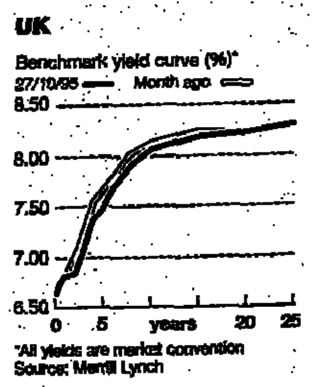
After an eventful week, UK gilts are expected to spend the next few days in a narrow range, tracking other markets in the absence of the release of important domestic data.

The market heaved a sigh of relief last week over the highly successful auction of £3bn of 20-year gilts, enabling prices to regain some of the ground lost following the previous disappointing 10-year auction.

The resulting rally, supported by a downbeat CBI Industrial Trends survey, reversed the recent spread widening against Germany. The 10-year gilt yield spread over its German counterpart ended the week at 170 basis points, down from 184 points at the start of the week.

However, according to Mr Andrew Roberts, gilts analyst at Union Bank of Switzerland, "any further outperformance will be difficult for for three reasons: bund into gilt trades, put on around auction time, are likely to be unwound at around 170 basis points [yield spread]; any significant strength will be absorbed by further [Bank of England tap sales of gilts]; and background problems over funding, the budget and politics have not disappeared".

Nevertheless, he predicts, "gilts will remain well supported, given that data continues to point to a weaker real economy, to be reinforced by Wednesday's release of the October Purchasing Managers' survey".



FRANKFURT — Andrew Fisher

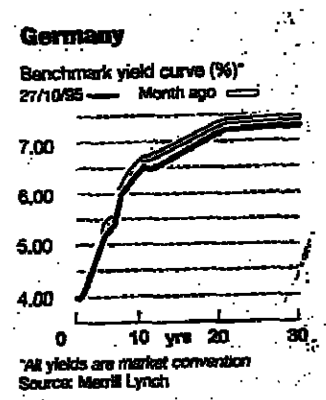
With German bonds benefiting from a slowdown in the economy and modest inflation – both trends were confirmed last week – the yield on 10-year Bunds has dropped to 6.50 per cent from 6.55 per cent since mid-October. But some analysts believe the macroeconomic trends would have justified a stronger price performance, with the yield down to around 6.45 per cent.

Inflation in west Germany remained at 1.6 per cent in October, which Mr Holger Fahrinkrug, economist at Union bank of Switzerland, expects to be maintained until the end of the year.

"No substantial rise is seen in the first half of 1996 and only towards the end of next year will west German inflation rise towards 2 per cent," he says.

The six main economic institutes confirmed expectations of a growth slowdown last week. But uncertainties remain about the likely strength of private consumption, the extent to which inflation can be kept down and the Bundesbank's own policy on money market rates, says Mr Thomas Kurtz, bond analyst at Bayerische Hypotheken und Wechsel Bank.

These factors have put a brake on the rise in German bond prices, which have thus moved more in line with weaker US Treasury bonds and should continue to do so this week.



TOKYO — Emiko Terazono

While the long end has seen a lack of buying interest among institutional investors, short-term rates have been affected by the expanding "Japan premium", the extra funding cost for Japanese banks in the eurodollar market.

To counter rising costs of overseas funding, the Bank of Japan continued to inject funds into the domestic money markets last week.

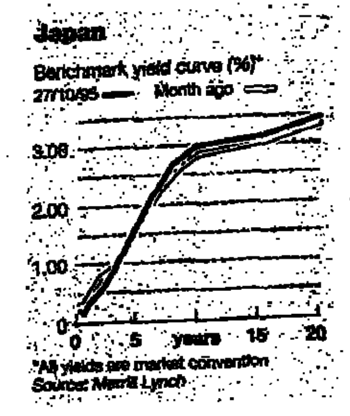
On Thursday, it provided Y1,200bn – a sum exceeding the day's projected fund shortage of Y690bn – by buying commercial bills.

"The Japan premium is the only thing that people talk about," says Mr Cameron Umetsu at UBS Securities.

Due to the rise in domestic liquidity, banks have funded themselves on the domestic money markets, converting the capital into dollars. Similar money market operations are expected to continue as long as the "Japan premium" persists.

"The problem is likely to continue since Japanese banks increase their funding towards the end of the year and interest rates tend to rise," said a Japanese financial sector official.

Meanwhile, concern over the financial system may lead to an increase in corporate bond supply. Domestic corporate bond issues in the first half of the business year totalled Y2,660bn, some 80 per cent of the previous year's total issuance.



Government bonds

Consensus of gloom on outlook for Italy

Last week, the Italian market gave a typical performance, defying forecasts at every turn.

In the first half, bonds were cheap and looked set to get cheaper, forcing investors to wonder when to buy.

Then Mr Lamberto Dini, the prime minister, promised his resignation and secured a reprieve for his government, prompting a rally in bond prices and leaving traders to question whether the recovery had gone too far and when they should sell.

"It is a notoriously volatile market. With Italy it is a world of shifting probabilities – you can never say this will definitely happen, only this is more likely to happen than that," says Mr Michael Dell, bond analyst at UBS.

Such volatility is likely to continue, while a number of uncertainties hang over the Italian economy. The political crisis has been postponed, but it looks set to return within months, if not weeks. The budget still faces a number of hurdles – Italy's future in a European single currency system and the direction of monetary policy are all weighing on government bonds, or BTPs.

Such looming concerns have bred an unusual consensus about a traditionally unpredictable market: the downside far outweighs the upside on Italian bonds. Opinion is distinguished only by different shades of gloom.

Mr David Roche, president of Independent Strategy, the London-based research firm, is the gloomiest of them all. In a recent article in Euromoney magazine, Mr Roche predicted that the Italian risk premium, the benchmark Italian bond yield spread over bunds which closed at 546 basis points on Friday, will widen to over 700 basis points.

Mr Roche argues that "the growing realisation that Emu [European economic and monetary union] will not happen means that the markets will adjust Italy's risk premiums to the sky... [and even if it does happen] it certainly will not include Italy".

He also has doubts about the fundamentals of the Italian economy. While Mr Dini's 1996 budget assumes interest rates falling to 8.5 per cent by the end of next year, Mr Roche expects them to be up at 11 per cent. Official inflation forecasts are for 3.5 per cent, but producer prices are rising at 9.2 per cent per year and CPI is at 5.8 per cent.

In the more medium-term, the upside is limited by the progress of the budget, which goes to the senate this week and then on to face what is expected to be even tougher opposition in the lower house.

Mr Luca Jellinek, bond strategist at Paribas Capital Markets, says budget wrangles in the lower house "may even get to the point where they need another confidence vote – like the supplementary budget passed in March". Even after the 1996 budget passes, there will be disagreements over supplementary measures to come.

"The government may have averted the worst-case scenario in the short term, which should give BTPs and the lira a lift for now, but in the longer term, the scenario is still nasty," says Mr Jellinek.

He sees plenty of volatility ahead, with yield spreads ranging between 450 points and 650 points. Most of the time BTPs are likely to trade between 500 and 625 basis points over bunds, however. "Whenever the spread gets into 500-basis-point territory, people rush to take profits," he says.

As well as political considerations, economic ones, particularly the future of Italy's monetary policy, encourage some analysts to price down BTPs.

Ms Ros Lifton at Daiwa Europe, which forecasts Italian inflation at 5.5 per cent in 1995 and 5 per cent in 1996, sees scope for monetary tightening.

"In comparison with all the other European economies, Italy still has a divergent inflationary trend. There has also been a softening of the lira. All these elements suggest the Bank of Italy may consider nudging up interest rates again," she says.

The currency markets have also played on BTPs in another way. The US dollar's failure to make significant headway against the D-Mark, has been weighing on the lira.

"That's made reversals in the Italian markets easier," says Mr Kit Juckes, director of bond and currency strategy at NatWest Markets.

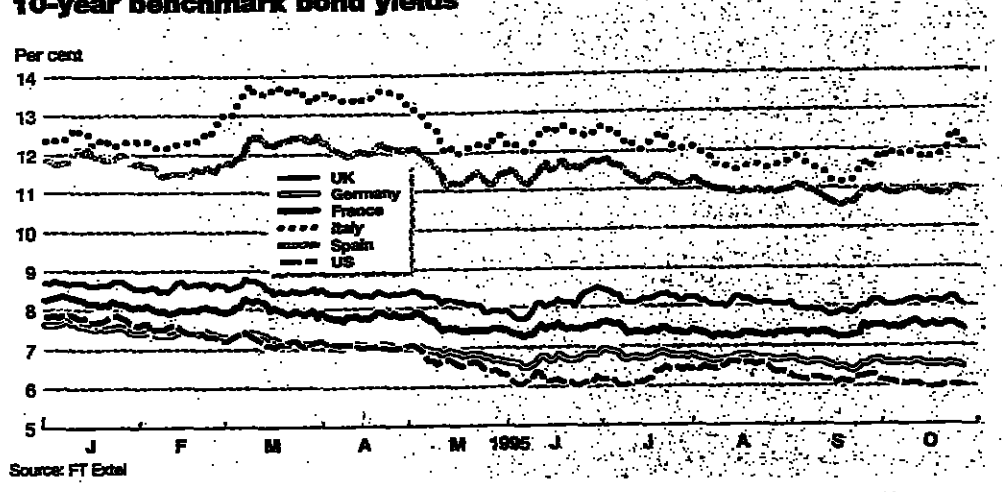
Although he feels that quite a lot of bad news has already been priced into the market, and says the 10-year BTP yield spread over German government bonds could narrow to around 530 basis points in the near term, "a return to around 600 basis points is eminently possible if we get a political vacuum in the new year".

Perhaps most telling for prospective investors in Italian bonds are not the forecasts, but the figures on past performance. Daiwa Europe calculates that for a US dollar investor calculating annualised returns, German bunds, after Sweden and Finland, have been the best European fixed income investment this year.

Italian government paper, on the other hand, comes in the bottom half of the list, giving investors less than half the total return they would have got in bunds.

James Harding and Conner Middelmann

10-year benchmark bond yields



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	0.50	3.50	6.15	9.00	6.75
Overnight	5.69	0.41	3.88	5.87	10.37	6.50
Three month	5.39	0.59	4.00	6.70	10.62	6.75
One year	5.57	0.65	4.03	6.15	10.87	6.81
Five year	5.83	1.57	5.38	6.51	11.54	7.49
Ten year	6.04	2.84	6.46	7.31	11.98	8.05

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	116-13	116-26	+0-17	116-30	115-09	391,485	392,186
Mar	116-03	116-15	+0-17	116-19	114-31	2,251	28,499
Jun	115-11	116-00	+0-17	116-03	114-18	1,263	4,843

Syndicated loans

Big Japanese banks ride out the storm

The enduring increase in overseas funding costs for Japanese banks, which had been expected to be a short-lived affair, has started to restrict their activities in the international syndicated loans market.

Although the margin the banks have to pay over the London interbank offered rate (Libor) has been fluctuating, it was estimated late last week to be about 55 basis points.

Faced with funding costs at this level, banks wanting to participate in high-profile loans with important clients, such as the one under way for Hanson, will automatically be losing money.

The margin on Hanson's £1.5bn five-year facility, which is being arranged by Chemical Bank and NatWest Markets, has been set at 12½ basis points, rising to 13½ basis points if more than 50 per cent is drawn.

However, the bigger banks are prepared to ride out the storm in order to defuse accusations from the market that they are "fair weather" players. "The big Japanese banks are prepared to fund the clients which are important to them," said one banker.

As the largest single group operating in the market, with a share of about 15 per cent, the Japanese banks have been working hard to improve their image, which had been tarnished by their withdrawal from the market in the late 1980s. That exit was prompted by an increase in bad loans in Europe and credit problems at home linked to the fall in the Japanese stock market.

In the group of co-arrangers on Hanson's deal, two of the seven banks are Japanese – Fuji and Sumitomo. The other co-arrangers are Citibank, Commerzbank, Crédit Lyonnais, Lloyds Bank and Midland Bank. Along with Chemical and NatWest, they have each committed £80m.

The deal is now in general syndication, with participation fees of 2½ basis points for £60m and 2 basis points for £40m. Hanson will also pay a commitment fee of 6 basis points, falling to 5 basis points if more than half the facility is drawn.

Although the London offices of Japanese banks are prepared to suffer losses to preserve their relationships with top-drawer clients, they are having difficulty in convincing their colleagues at head office in Tokyo.

For example, it is understood that Japanese banks had difficulty in getting approval to participate in the £2.55bn five-year acquisition facility for PowerGen which closed last week.

This loan has a margin of 22½ basis points, falling to 17½ basis points depending on the company's gearing.

However, it appears that smaller clients are being dropped. None of the Japanese banks invited into the £80m facility for Close Brothers, the UK merchant banking group, accepted but despite their absence, this facility is expected to be increased.

"The pinch is starting to be felt," said one banker. He noted, for example, that Japanese banks were giving priority to standby facilities which were unlikely to be drawn.

This preference for standby facilities will present a problem for Japanese banks invited to participate in the Hanson deal, which is expected to be drawn up to 50 per cent.

There were also reports last week that Japanese banks were seeking to pass on higher funding costs to their clients.

This is relatively straightforward in bilateral facilities, where the Libor rate is fixed by the bank and not taken from Telerate or Reuters, but UK corporate clients are said to be shunning such bilateral agreements with Japanese banks in favour of others whose Libor rate is significantly lower.

It is also being said that some Japanese banks have tried to invoke the "increased cost" clause in syndicated loan contracts, but without much success.

● **Woolwich Building Society** has come to the market for the third time this year with a £250m revolving credit facility, arranged by UBS. Since the seven-year facility comes so soon after the FFr2bn facility arranged by Société Générale, and is also a standby facility, Woolwich will be paying an extra basis point.

The margin for the first three years is 16 basis points, rising to 17 basis points for years 4 and 5 and 17.5 basis points for the final two years.

There is a commitment fee of 7 basis points for the first five years and 7.25 basis points for the remaining two years. The deal is now in general syndication and should close on November 7.

● **Omnitel Pronto Italia**, the international consortium building Italy's second digital mobile phone network, will be paying a margin of 175 basis points over Libor on its 10-year L1,800bn credit facility, falling to 62.5 basis points over Libor as cashflow improves.

A similar facility, for £1.2bn, is believed to be in the pipeline for Hutchison Telecommunications, which operates Orange, the UK mobile phone network.

● **KLM**, the Dutch national airline, has increased its five-year facility to $700m from $500m due to strong interest in the deal.

KLM will be paying a margin of 19.5 basis points over Libor with a commitment fee of 9 basis points.

Antonia Sharpe

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Keihin Electric Railway(a)Φ	250	Nov.1999	3.25	100.00	-	-	Yamaichi Intl.(Europe)
Banco Real(b)	100	Oct.2001	(b1)	99.859R	10.58	+485(5¾%-97)	ING Bank
Yukong	100	Nov.2000	6.625	99.739R	6.688	+67(WI 5yr)	Merrill Lynch Intl.
Ford Motor Credit Co.	1bn	Nov.2000	6.25#	99.67R	6.328	+53(WI 5yr)	Goldman Sachs & Co.
Coca-Cola Co.	250	Nov.2000	6.00	99.191R	6.193	+18(WI 5yr)	SBC Warburg
Unibanco	75	Nov.1995	10.00#	99.67R	10.19	+445(5¾%-97)	Chemical Inv. Bank
Banco Citibank	50	Oct.1997	8.75#	100.00	8.750	+303(WI 2yr)	Citibank International
Wal-Mart Stores	250	Nov.2000	6.125	99.995R	6.126	+23(WI 5yr)	Goldman Sachs Intl.
AC International Finance(m)§	142	Dec.2000	zero	70.381	-	-	Jardine Fleming
Investec O'seas Finance(d)§	100	Nov.2002	6.375#	100.00	-	-	Citibank International
URAFB‡	100	Nov.2000	(i1)	99.46R	-	-	Nikko Europe
DSL Bank	200	Nov.1998	5.75	99.734R	5.849	+35(7¾%-98)	SGST
World Bank★	200	Nov.1998	4.00#	99.059R	5.442	-	Yamaichi Intl.(Europe)
CNCP NKGK Intl. Finance‡	150	Nov.1998	(i)	99.83R	-	-	BZW
CPR(o)	100	Nov.2005	(o1)	99.945R	-	-	Chemical Inv. Bank
D-MARKS							
Depfa Bank(c)	900	Oct.2001	6.25	100.51R	6.142	+19(8¼%-01)	DG Bank
Bremer Landesbank(f)	200	Dec.1998	5.00	100.10R	4.96	+12(5%-98)	Daiwa Europe(Deutsch.)
European Investment Bank	2bn	Nov.2002	6.125	99.40R	6.233	+6(7¼%-02)	CSFB/ Deutsche Bank
Euroshield Investments(p)	200	Apr.2000	(p1)	100.14	-	-	DG Bank
YEN							
Kingdom of Sweden(f)★	35bn	Nov.2010	3.20	100.40	-	-	Nomura International
Soc. Gén. Acceptance★	50bn	Oct.1996	2.00	101.92	0.078	-	Morgan Stanley Intl.
Kirin Intl.Finance(Neths.)★	10bn	Nov.2000	0.50	92.50	2.098	-	Mitsubishi Finance Intl.
SWISS FRANCS							
Daiwei Telecom Eng.Crp.(e)★Φ	70	Nov.1999	0.50	100.00	-	-	Credit Suisse
US West Communications	150	Nov.2001	4.125	102.75	3.607	-	SBC Warburg
Asfinag	300	Nov.2003	4.125	102.80	3.714	-	UBS
Pemex	150	Nov.1997	6.00	102.25	4.793	-	SBC Warburg
Misawa Homes(d)Φ★	140	Nov.1999	1.00	100.00	-	-	Credit Suisse
GUILDERS							
Royal Hoogovens	250	Nov.2002	7.00	99.60R	7.074	+90(j)	ABN Amro Hoare Govt.
STERLING							
Midland Bank	200	Nov.1995	9.00	99.90R	9.016	+62(8½%-05)	HSBC Markets
IRISH (No.1), Class A1(k1)‡	45	Sep.2025	(k2,s)	99.63R	-	-	NatWest Capital Mkts.
IRISH (No.1), Class A2(k3)‡	50	Oct.2025	(k4,s)	99.51R	-	-	NatWest Capital Mkts.
LUXEMBOURG FRANCS							
International Finance Corp.	2bn	Dec.2001	zero	70.50	5.998	-	ABN Amro /BGL / BIL
Deutsche Finance Neths.(l)	2bn	Dec.1999	5.875	102.60	5.14	-	BGL
AUSTRALIAN DOLLARS							
Merrill Lynch & Co.★	100	Nov.2000	7.81#	100.30	7.737	-	Merrill Lynch Intl.
SocGen Australia	100	Dec.2000	8.00	100.975	7.757	-	Hambros Bank
Province of Ontario★	600	Nov.1998	5.00#	94.254	7.162	-	Yamaichi Intl.(Europe)
Sth.Australian Govt.Fin.Auth.★	150	Nov.1997	5.00	96.90	6.708	-	Kankaku (Singapore)
DANISH KRONER							
Crédit Local de France	400	Dec.2001	7.50	102.218	7.034	-	Kreditbank
IRISH POUNDS							
Le Shes, Series 7(g)★‡	50	Sep.1999	(f1,s)	100.00R	-	-	Merrill Lynch Intl.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ΦWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Denom: SFr50,000 +50 wrts. Ex price: Y888. FX: 89.78Y/SFr. Refixing clause effective 1/12/97, max 20%. b) Callable and puttable at 100¼% and par respectively on 31/10/97 and 31/10/99. b1) 10½% to 31/10/97, then 11⅛% to 31/10/99 and 11¾% thereafter. c) Fungible with DM500m. Plus 26 days accrued. d) Denom: SFr50,000 +50 wrts. Ex price: Y800. FX: 90.36Y/SFr. Refixing clause effective Nov.96, 97 & 98; max 30% total. e) Denom: $10,000 +2 wrts. Ex price: Y587. FX: 101.45Y/SFr. Mandatory call if share price falls below Y508. f) Short 1st & last coupons. g) Collateralised by Italian Ecu CTEs. Callable on each coupon date at par. g1) 3-mth Dibor +15bp. h) Conversion price: R80. FX: 3.6352R/$. Redemption price: 110%. Callable from 30/11/97, subject to 130% hurdle, at par. Greenshoe available. i) Over interpolated yield. j) Union de Banques Arabes et Françaises. i1) 3-mth Libor +¼%. k) Ireland Residential Securitised Home Mortgages. k1) Callable on coupon dates from Sep.03 at par. Expected average life: 2.87 yrs. k2) 3-mth Dibor +12bp to Sep.03 and +40bp thereafter. k3) Callable on coupon dates from Oct.03 at par. Expected average life 7.74 yrs. k4) 3-mth Dibor +15bp Sep.03 and +55bp thereafter. k5) Class B of I£5m was privately placed. l) Long 1st coupon. m) Exchangeable into Ayala Land "B" shares at pesos 35. FX: 25.959 pesos/$. Redemption price: 100%. Callable from Nov.98, subject to 149% hurdle, at 95% in yr 4 and 100% in yr 5. n) 3-mth Libor +¼%. o) Callable on coupon dates from Nov.00 at par. o1) 3-mth Libor +55bp to Nov.00 and +130bp thereafter. p) Backed by Italian BTPs. p1) 6-mth Libor +20bp. Short 1st & long last coupons. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

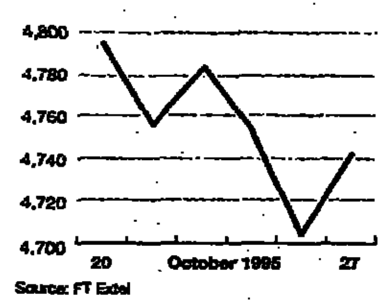
هكذا من الأصل

EQUITY MARKETS: This Week

NEW YORK — Lisa Bransten

Investors torn on hopes for the economy

Dow Jones Industrial Average



Source: FT Extel

US blue chips ended last week with a 53-point loss, but there was enormous volatility with shares moving up and down in 30, 40 and 50-point swings all week. Friday's market was especially erratic as the strong figures on third-quarter gross domestic product forced investors to reassess their views of the economy.

This week may see the same cross currents that led to last week's roller-coaster ride. Investors would like to see the economy slow enough to encourage the Federal Reserve to lower interest rates before the year-end. (Almost everyone has given up hope for a cut at the November 15 meeting of the Fed's Open Market Committee meeting.) On the other hand they would like to see enough economic strength to ensure that corporate earnings hold up over the next several quarters.

Friday's employment figures should help shape a consensus about economic growth. Economists are looking for 130,000 new non-farm jobs to have been created in October after September's 121,000 new jobs.

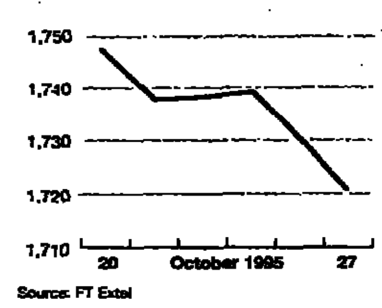
Other important data include the National Association of Purchasing Management's index of October business activity due on Wednesday, which is expected to have risen to 50 per cent from September's 48.3 per cent.

Figures on September personal income and consumption are due today. Economists are looking for a 0.5 per cent rise in income and one of 0.3 per cent in consumption.

LONDON — Philip Coggan

International influences still to dominate

FT-SE-A All-Share Index



Source: FT Extel

Investors in London will be hoping that shares can stage a rebound after a turbulent week, which ended with the FT-SE 100 index closing below 3,500.

International influences are likely to continue to dominate, with the US equity market going through a volatile phase and currency markets prey to political worries in France, Italy, Canada, and the health of Mr Boris Yeltsin, the Russian president.

The most important figures this week will be US non-farm payrolls data on Friday, which will be searched for signs of the economic strength that showed through in last week's third-quarter gross domestic product numbers.

Little is expected from Wednesday's meeting between Mr Kenneth Clarke, chancellor of the exchequer and Mr Eddie George, governor of the Bank of England. With Mr Clarke's budget due next month, it is thought unlikely that the pair will decide to move base rates.

What the UK market really needs is another takeover, since the endless diet of unsubstantiated rumours is failing to satisfy its appetite.

Deals announced earlier this year created the liquidity which carried the Footsie to its all-time high and allowed the market to ignore signs of a slowdown in earnings growth.

Without a bid, the markets will closely watch this week's results, which include Shell, Thames Water and retailers J Sainsbury, Boots, and Kwik Save for the state of corporate confidence.

OTHER MARKETS

AMSTERDAM

After last week's sharp sell-off in Philips, the electronics group, the Amsterdam bourse will be braced for third-quarter results this week from some of the Netherlands' most cyclical companies, *writes Ronald van de Krol.*

DSM and Akzo, the country's two big chemicals groups, are both expected to produce strong results, on Tuesday and Thursday respectively. Some analysts forecast that DSM will produce a doubling in net profits before extraordinaries compared with last year's Fl 114m ($70m). Akzo's results are tipped to be up by a more modest 15 to 20 per cent.

In both cases, attention will also be focused on future prices and business prospects. Traders will be waiting too for Akzo's comments on the furore which erupted in the UK recently over a government warning on a type of birth control pill made by the Dutch company.

KLM Royal Dutch Airlines is also scheduled to release figures on Tuesday for the 1995-96 second quarter, which covers the peak summer months of July, August and September. Net results are expected to be lower, reflecting, among other things, the recent end to the airline's pension premium holiday and the lack of disposal of older aircraft.

HELSINKI

Extraordinary shareholders' meetings are being held by Repola, on Tuesday, and by Kymmene on Wednesday to ratify the proposed merger between the two big forestry groups.

Flying high as recently as September, the industry's market rating in both Finland and Sweden has been hit by worries about strengthening domestic currencies, hitting profit margins abroad, and by announcements of increased papermaking capacity: Repola itself confirmed a decision to go ahead with a new paper mill only last Thursday. Paribas Capital Markets suggests reducing exposure to Repola and Kymmene, among others.

PARIS

Peugeot, the French motor vehicle manufacturer, was in Tokyo last week, where it forecast a 25 per cent rise in its Japanese car sales this year.

This Thursday, it is expected in London, but it has scheduled an analysts' meeting for early this morning to explain its first-half results, released after Friday's close.

At that point, traders were not hopeful. The shares fell FFr20 on the day to a new 1995 low of FFr601, after an intra-day low of FFr598 and down from a year's high of FFr782.

The release was close to the deadline for half-year figures, and there was some concern about this in the market; however, with net attributable profits up from FFr688m to FFr1.216bn, they were in the middle of analysts' forecasts, which ranged between just under FFr1bn to FFr1.4bn.

FRANKFURT

Following last week's third-quarter figures from Deutsche Bank and Commerzbank, Dresdner reports on Thursday. In 1994, notes Mr Jim Hyde at Williams de Broë, Dresdner produced 10-month figures, so there are no comparative figures available; he believes, too, that the Kleinwort Benson acquisition's profits will not be included in the third-quarter results as it has proven difficult to harmonise reporting.

That said, Mr Hyde reckons Dresdner could show operating profits of DM1.7bn, up 20 per cent, compared with a fall of 5.5 per cent in the first half, with the improvement due almost entirely to a reversal of proprietary trading losses.

Thursday also sees the Bundesbank's fortnightly meeting, but it is not expected to move key interest rates.

STOCKHOLM

With a hardening currency and uninspiring progress reports, US investors have punished any perceived weakness in Swedish stocks. This week, they will have third quarters from Aga, the consumer durables group, and Trelleborg, the metals company, to bite on; UBS forecasts a profits rise from the latter of 248 per cent.

HONG KONG

The Hong Kong stock market is expected to spend another week in thrall to Wall Street, *writes Louise Lucas.* Today, investors will be scrutinising the US third-quarter GDP statistics for clues to the economy's health and the consequent likelihood for a further cut in interest rates.

The local market will be spiced up with today's expiry of October futures, which could make for a more volatile day's trading, and Hongkong Telecom is likely to attract attention in the run up to the announcement of its interim results on Thursday.

The market is looking for an increase in earnings of 14.9 per cent from HK$8.7bn to HK$10bn.

TOKYO

The dwindling of foreign buying may offer an opportunity for dealers and other investors looking for short-term profits to sell the market, *writes Emiko Terazono.*

The banks, especially those perceived by investors to be financially weaker, are already facing a wave of short selling. Daiwa Bank and Yasuda Trust and Banking were targeted by brokerage dealers last week.

Weakness in the banking sector may also prompt profit-taking in high-tech stocks, which have rallied since the start of the year.

Many of the electronics companies announced profits last week without any surprises and, accordingly, some domestic institutions may move to lock in profits.

Compiled by William Cochrane

International offerings

Banks arranging Eni sale pray for political calm

After the political drama last week, the banks arranging the privatisation of Eni, Italy's oil and gas company, must be praying for relative calm over the next three weeks so they can get the L10,000bn ($6.25bn) deal away safely.

The rebound in the Italian stock market following news that Mr Lamberto Dini, the Italian prime minister, had avoided defeat in a no-confidence motion has set a favourable backdrop for the offering, Italy's largest privatisation to date.

The book-building process starts today, with pricing scheduled to be announced by November 20. The Italian public offer will start the day after and allocations should be made by the end of that week.

Institutional investors who had hoped that the political upheavals would allow them to buy shares in Eni at a knock-down price are likely to be disappointed by the price range announced on Friday.

The Italian government, which is selling about 1.6m shares or 21 per cent of the company, has set a range of L5,250 to L6,000 a share, which some bankers said was on the expensive side in view of the increased risk now associated with Italy.

However, the government feels the price range is appropriate since it was set according to information gleaned during the pre-marketing stage. It is also keeping its options open about the final size of the offering, which could be increased to L12,000bn or reduced to L8,000bn depending on demand.

Although the Eni shares will not be quite the bargain they had been expecting, international and domestic institutions are likely to take up as much as $4bn worth of stock. However, their allocations will be determined by the response from domestic retail investors.

The Italian government said on Friday that 25 to 50 per cent of the offering would be reserved for the Italian public but market research suggests that the retail tranche will be somewhere in between.

Lamberto Dini: set favourable backdrop for the offering

As well as raising badly-needed funds, the Italian government is using the privatisation of Eni to broaden the appeal of equities to small investors, who have traditionally put their savings into high-yielding government bonds.

The poor performance of past privatisations, notably the bank stocks, has given them little incentive to look again at the stock market but the government hopes that the share price guarantee scheme, and the domestic syndicate of more than 100 banks, will encourage healthy retail participation.

Although Eni will dominate proceedings in the international equity market, there are several other deals catching investors' attention, such as the privatisation of MOL, Hungary's national oil and gas company, which gets under way this week.

Up to 30 per cent of the company, or about $300m worth of stock, is being sold. Dresdner Kleinwort Benson, Lazard and Merrill Lynch are arranging the deal, which should be priced by November 21.

Meanwhile, demand for IPOs in niche areas continues to be strong. For example, there were reports late last week that the DM1.5bn IPO for Adidas, the German sports shoe manufacturer, was covered on the first day of book-building.

If this is true, the vendors will have little problem in getting the top price for their shares. The offer is expected to be priced on November 13.

However, the wayward behaviour of stock markets last week has raised fears among bankers that the good times for these so-called "hot" stocks may soon be at an end.

With most of the offerings for 1995 already in the market, investment bankers are working hard to win business for 1996.

The mandates up for grabs include the sale of the Spanish government's remaining stake in Repsol, the oil company, and Argentaria, the partially privatised banking group in Spain.

The Austrian government is also in talks with banks with respect to its partially-privatised oil and gas company, OMV.

Latin American offerings are also likely to be a feature next year after their absence this year as a result of the Mexican peso crisis.

The privatisation of Telefónica de Peru, which could raise as much as $1.5bn, is expected in the second quarter.

Meanwhile, the Brazilian government is in the process of selecting the banks to arrange the privatisation of the mining group Companhia Vale do Rio Doce, which could come to market by the middle of 1996.

With no sign of a let-up in primary issuance, equity syndicate managers might dream of swapping their desks for a deckchair on a holiday island.

Such wishful thinking could well come true for one bank in the not too distant future.

● For PT Telkom's initial public offering which is expected to raise between $2.5bn and $3.1bn, there are now eight global co-ordinators, with no one to take the lead.

Originally, there were three, including Goldman Sachs and Merrill Lynch, and SBC Warburg and Lehman which were considered as a team.

Then, the Indonesian government upgraded the four domestic leads – Bahana, Jardine Fleming Nusantara, Danareksa and Makindo – to joint global co-ordinators.

Antonia Sharpe and Manuela Saragosa

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 27 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Oct 27 / Frs.)

[illegible]

CZECH REP (Oct 27 / Koruna)

[illegible]

DENMARK (Oct 27 / Kr)

[illegible]

FINLAND (Oct 27 / Mks)

[illegible]

FRANCE (Oct 27 / Frs.)

[illegible]

GERMANY (Oct 27 / Dm.)

[illegible]

GREECE (Oct 27 / Drachma)

[illegible]

ITALY (Oct 27 / Lira)

[illegible]

NETHERLANDS (Oct 27 / Fls.)

[illegible]

NORWAY (Oct 27 / Kroner)

[illegible]

POLAND (Oct 27 / Zloty)

[illegible]

PORTUGAL (Oct 27 / Escudo)

[illegible]

SPAIN (Oct 27 / Pts.)

[illegible]

SWEDEN (Oct 27 / Kronor)

[illegible]

SWITZERLAND (Oct 27 / Frs.)

[illegible]

TURKEY (Oct 27 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Oct 27 / Yen)

[illegible]

HONG KONG (Oct 27 / H.K.$)

[illegible]

INDONESIA (Oct 27 / Rupiah)

[illegible]

MALAYSIA (Oct 27 / MYR)

[illegible]

NEW ZEALAND (Oct 27 / NZ $)

[illegible]

SINGAPORE (Oct 27 / S$)

[illegible]

SOUTH KOREA (Oct 27 / Won)

[illegible]

TAIWAN (Oct 27 / TW $)

[illegible]

THAILAND (Oct 27 / Baht)

[illegible]

AUSTRALIA (Oct 27 / Aust$)

[illegible]

AFRICA

SOUTH AFRICA (Oct 27 / Rand)

[illegible]

NORTH AMERICA

CANADA

MONTREAL (Oct 27 / Can $) 4 pm close

[illegible]

TORONTO (Oct 27 / Can $) 4 pm close

[illegible]

INDICES

	Oct 27	Oct 26	Oct 25	1995 High		1995 Low	
Argentina							
General (29/12/77)	13035.13	12735.59	13252.23	16531.10	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2087.4	2086.4	2090.8	2168.09	18/9	1823.30	8/2
All Mining(1/1/80)	936.3	943.0	939.1	1029.50	7/8	786.30	8/2
Austria							
Credit Aktien(30/12/84)	328.50	(c)	332.82	385.42	2/1	328.50	27/10
Traded Index(2/1/91)	881.09	(c)	903.60	1068.31	2/1	882.15	23/10
Belgium							
BEL20 (1/1/91)	1415.12	1423.74	1423.58	1481.39	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	41406.0	40603.0	43438.0	48612.80	19/9	4631.68	8/9
Canada							
Metals Mnls♦(1975)	4630.98	4568.35	4546.42	5252.77	21/8	3808.88	1/3
Composite♦ (1975)	4335.30	4314.20	4331.47	4716.30	12/7	3891.41	30/1
Portfolio§§ (4/1/83)	2144.37	2127.45	2124.37	2207.81	12/7	1963.26	30/1
Chile							
IGPA Gen♥(31/12/80)	5992.2	5901.1	5944.9	6363.10	11/7	4576.90	9/3
Denmark							
CopenhagenSE(3/1/83)	355.71	358.21	358.05	375.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	1898.04	1918.45	1934.71	2332.22	14/9	1555.38	29/3
France							
SBF 250 (31/12/90)	1164.80	1172.22	1176.60	1322.30	12/5	1164.41	13/3
CAC 40(31/12/87)	1742.38	1754.12	1764.12	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	765.61	776.80	779.81	846.76	19/9	768.87	30/3
Commerzbank(1/12/53)	2213.4	2247.8	2258.1	2427.60	19/9	2018.70	30/3
DAX (30/12/87)‡	2086.08	2131.84	2150.13	2317.81	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	937.53	937.99	936.91	992.69	4/8	787.16	16/3
Hong Kong							
Hang Seng(31/7/64)	9680.75	9774.48	9941.06	10032.93	17/10	6967.93	23/1
India							
BSE Sens.♥(1979)	3444.12	3408.67	(c)	3932.09	2/1	3016.87	2/5
Indonesia							
Jakarta Comp.(10/8/82)	494.47	497.15	497.18	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2081.55	2096.16	2111.40	2176.73	15/9	1813.59	23/1
Italy							
Banca Comm Ital (1972)	578.68	579.73	571.88	680.84	10/2	556.09	23/10
MIB General (2/1/95)	914.0	918.0	903.0	1076.00	10/2	877.80	23/10
Japan							
Nikkei 225 (16/5/49)	17337.19	17726.66	17970.81	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	259.53	265.17	268.74	288.16	4/1	222.28	13/6
Topix (4/1/68)	1388.43	1415.04	1433.66	1553.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1859.45	1869.47	1887.74	2130.68	4/1	1441.99	13/6
Malaysia							
KLSE Comp.(4/4/86)	952.64	958.68	955.87	1085.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2120.42	2206.04	2822.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	485.4	489.9	494.3	511.80	19/9	422.80	23/3
CBS All Shr (End 83)	294.2	298.9	299.6	311.10	15/9	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2177.66	2187.24	2194.83	2206.02	20/10	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1211.03	1223.52	1245.02	1292.16	18/10	1038.00	10/3
Philippines							
Manila Comp (2/1/85)	2512.34	2542.33†	2544.06	2968.12	10/7	2248.39	27/3
Portugal							
BTA (1977)	2573.0	2582.1	2565.5	2811.60	9/1	2385.50	25/10
Singapore							
SES All-S'pore(2/4/75)	513.01	509.94	508.85	635.98	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1279.7♥	1305.6	1317.3	2023.00	2/1	1278.70	27/10
JSE Indl. (28/9/78)	7455.2♥	7523.3	7588.2	7588.20	25/10	6222.00	31/1
South Korea							
KoreaCmpEx(4/1/80)**	1001.37	1001.15	997.88	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	291.62	292.99	294.93	318.98	13/9	263.36	26/6
Sweden							
AffarsvarldsGen (1/2/37)	1687.8	1706.1	1728.9	1872.10	19/9	1438.86	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1393.45	1414.99	1414.93	1437.89	18/10	1174.63	13/3
SBC General (1/4/87)	1046.93	1062.93	1063.56	1079.62	18/10	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	4936.77	4990.57	(c)	7051.49	5/1	4693.37	14/8
Thailand							
Bangkok SET (30/4/75)	1271.41	1270.14	1274.52	1472.04	10/7	1135.69	16/3
Turkey							
Istanbul Cmp.(Jan 1986)	47145.8	47601.8	47625.0	54653.99	21/4	24644.31	23/1
WORLD							
MS Capital Int (1/1/70)$	681.8*	687.8	694.8	703.88	29/9	586.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1363.93	1374.41	1373.87	1480.88	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1238.68	1253.26	1260.37	1316.68	15/9	1117.34	9/3
JCapalOrgns (31/12/88)	(u)	331.20	332.25	349.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	140.55	143.45	145.84	158.07	2/1	117.15	10/3

INDEX FUTURES

■ CAC-40 (200 x index)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Oct	1748.0	1742.5	-12.0	1749.0	1728.0	33,047	21,873
Nov	1756.0	1751.5	-12.0	1757.5	1739.0	14,177	14,191

■ DAX

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	2138.0	2122.0	-32.5	2139.0	2100.5	36,037	~
Mar	2146.5	2142.0	-37.0	2155.0	2123.5	266	~

■ OMX

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Oct	1333.00	1323.25	-24.75	1333.00	1320.00	1,445	8,236
Nov	1342.50	1340.00	-17.00	1346.00	1325.00	6,869	12,415

■ SOFFEX

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Oct	3058.0	3033.0	-45.0	3063.4	3024.0	9,504	15,685
Nov	3059.0	3036.0	-43.0	3059.0	3037.0	49	1,847

** Sat Oct 21: Taiwan Weighted Price 4987.98; Korea Comp Ex 999.50 . Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Oct 27 - 2112.01 -30.73.

US INDICES

Dow Jones	Oct 27	Oct 26	Oct 25	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4741.75	4703.82	4753.68	4802.45 (19/10)	3832.08 (30/1)	4802.45 (19/10/95)	41.22 (2/7/32)
Home Bonds	103.60	103.78	103.90	104.04 (16/10)	93.63 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1904.24	1905.27	1926.49	2008.39 (18/9)	1473.19 (3/1)	2008.39 (18/9/95)	12.32 (8/7/32)
Utilities	215.99	217.37	219.09	219.09 (25/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4766.68 (4777.88) Low 4653.24 (4656.05) (Theoretical♦)
Day's high 4742.48 (4755.48) Low 4676.00 (4667.69) (Actual♦)

Standard and Poors	Oct 27	Oct 26	Oct 25	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	579.70	576.72	582.47	590.65 (19/10)	459.11 (3/1)	590.65 (19/10/95)	4.40 (1/6/32)
Industrials♥	680.79	677.76	684.16	691.54 (19/10)	548.28 (3/1)	691.54 (19/10/95)	3.62 (21/6/32)
Financial	57.98	56.99	57.66	61.39 (18/10)	41.64 (3/1)	61.39 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	308.63	307.56	310.71	315.38 (19/10)	250.73 (3/1)	315.38 (19/10/95)	4.46 (25/4/42)
Amex Mkt Val	514.40	515.97	522.26	533.58 (12/9)	433.12 (6/1)	533.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1025.55	1017.57	1026.47	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Oct 20	Oct 13	Oct 6	Year ago
Dow Jones Ind. Div. Yield	2.42	2.42	2.43	2.72
	Oct 25	Oct 18	Oct 11	Year ago
S & P Ind. Div. yield	2.08	2.10	2.09	2.39
S & P Ind. P/E ratio	17.85	17.88	17.74	20.82

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Micron	5,359,000	69⅝	-½
Telefonos	4,584,800	27⅛	+⅜
Citicorp	3,422,900	64½	+½
Merck	2,850,400	58⅛	-1⅜
Bristol Ferris	2,505,200	26¼	+¼
Chase Man	2,503,000	58⅛	+2¼
Wal-Mart	2,398,700	22⅛	+⅛
Texas Insts	2,277,700	67⅞	+⅜
IBM	2,211,400	96⅝	+⅜
Chemical Bk	2,180,700	58⅝	+2⅛

■ TRADING ACTIVITY

● Volume (million)

	Oct 27	Oct 26	Oct 25
New York SE	378.808	464.183	433.577
Amex	16.317	17.643	19.525
NASDAQ	(u)	488.887	485.833
NYSE			
Issues Traded	3,002	3,065	3,044
Rises	1,128	633	805
Falls	1,067	1,702	1,524
Unchanged	807	720	715
New Highs	24	71	123
New Lows	89	111	72

■ S&P 500

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	578.60	583.50	+4.85	583.60	575.20	108,285	197,732
Mar	582.50	588.20	+4.85	588.40	580.20	1,017	10,686

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	17690.0	17370.0	-400.0	17710.0	17350.0	25,535	156,668
Mar	17640.0	17450.0	-310.0	17640.0	17450.0	2,104	7,150

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, October 27, 1995

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	6.1m	334	-5
Mitsubishi Hvy	6.0m	778	-3
Komatsu Zenoah	5.2m	825	+82
Toshiba	4.7m	733	-17
Shin-Etsu Polym	4.5m	740	+52
Takara Shuzo	4.2m	833	+63
NKK	4.1m	248	-11
NHK Spring	3.9m	505	+5
Nitto Chem	3.6m	1270	+60
Kitagawa Iron Wk	3.6m	681	-2

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3188. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside the UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

هكذا من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Oct 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5759	+0.0455	668 - 850	15.5890	15.4836	15.5455	2.3	15.4869	2.3	-	-	107.3
Belgium	(BFr)	45.4739	+0.1255	322 - 155	45.6320	45.1940	45.3789	2.5	45.1899	2.5	44.4539	2.2	110.0
Denmark	(DKr)	8.5805	+0.009	762 - 847	8.5938	8.5288	8.5729	1.1	8.5563	1.1	8.4938	1.0	110.4
Finland	(FM)	6.6797	+0.0208	723 - 871	6.6878	6.6330	6.6753	0.8	6.6673	0.7	-	-	88.1
France	(FFr)	7.6964	-0.0566	923 - 005	7.7567	7.6765	7.7033	-1.1	7.7088	-0.8	7.7035	-0.1	110.2
Germany	(DM)	2.2129	+0.0068	117 - 141	2.2189	2.1984	2.2077	2.8	2.1984	2.6	2.1574	2.5	112.9
Greece	(Dr)	364.984	-0.156	800 - 167	365.912	362.975	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9748	+0.0007	739 - 756	0.9758	0.9726	0.974	1.0	0.9727	0.9	0.9695	0.5	97.4
Italy	(L)	2520.73	-0.51	883 - 263	2528.34	2512.53	2527.98	-3.5	2542.88	-3.5	2611.03	-3.6	69.6
Luxembourg	(LFr)	45.4739	+0.1255	322 - 155	45.6320	45.1940	45.3789	2.5	45.1889	2.5	44.4539	2.2	110.0
Netherlands	(Fl)	2.4793	+0.0082	779 - 806	2.4875	2.4638	2.4728	3.1	2.4619	2.8	2.4157	2.6	110.0
Norway	(NKr)	9.8050	+0.0191	005 - 095	9.8388	9.7299	9.7926	1.5	9.7707	1.4	9.6952	1.1	99.0
Portugal	(Es)	233.650	+0.187	480 - 820	234.136	232.575	234.19	-2.8	235.41	-3.0	-	-	95.3
Spain	(Pta)	192.134	-0.38	013 - 256	192.975	191.780	192.634	-3.1	193.574	-3.0	197.974	-3.0	81.1
Sweden	(SKr)	10.4370	-0.0242	287 - 452	10.4941	10.3792	10.4392	-0.3	10.4437	-0.3	10.4671	-0.3	88.1
Switzerland	(SFr)	1.7893	-0.004	882 - 903	1.7920	1.7801	1.7822	4.8	1.7703	4.2	1.7174	4.0	116.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.8
Ecu	-	1.2072	-0.0002	064 - 079	1.2096	1.2012	1.2061	1.1	1.2039	1.1	1.1945	1.1	-
SDR†	-	1.05063	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5798	+0.006	794 - 802	1.5835	1.5790	-	-	-	-	-	-	-
Brazil	(R$)	1.5189	+0.0058	184 - 194	1.5238	1.5179	-	-	-	-	-	-	-
Canada	(C$)	2.1651	+0.0158	642 - 659	2.1774	2.1579	2.1662	-0.6	2.1682	-0.6	2.172	-0.3	83.3
Mexico	(New Peso)	11.2105	+0.2787	685 - 524	11.4739	11.1677	-	-	-	-	-	-	-
USA	($)	1.5801	+0.006	797 - 804	1.5840	1.5788	1.579	0.8	1.5769	0.8	1.5651	0.9	93.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0946	+0.011	934 - 957	2.0973	2.0928	2.0959	-0.7	2.0987	-0.8	2.1135	-0.9	86.3
Hong Kong	(HK$)	12.2185	+0.0472	150 - 220	12.2486	12.2096	12.215	0.3	12.2026	0.5	12.169	0.4	-
India	(Rs)	56.0128	+0.0553	214 - 042	56.4550	55.9070	-	-	-	-	-	-	-
Israel	(Shk)	4.7975	+0.0274	925 - 025	4.8027	4.7789	-	-	-	-	-	-	-
Japan	(Y)	160.691	+0.453	577 - 806	160.970	159.330	159.776	6.8	158.166	6.3	151.241	5.9	140.7
Malaysia	(M$)	4.0015	+0.005	998 - 032	4.0188	3.9969	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4055	+0.0095	037 - 073	2.4077	2.4030	2.4114	-3.0	2.4207	-2.5	2.4463	-1.7	100.9
Philippines	(Peso)	41.0339	+0.1085	458 - 220	41.1244	40.9373	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9260	+0.0225	243 - 276	5.9405	5.9216	-	-	-	-	-	-	-
Singapore	(S$)	2.2363	+0.0063	350 - 375	2.2405	2.2335	-	-	-	-	-	-	-
South Africa	(R)	5.7439	+0.0218	414 - 463	5.7572	5.7405	-	-	-	-	-	-	-
South Korea	(Won)	1210.24	+4.91	989 - 059	1213.19	1209.36	-	-	-	-	-	-	-
Taiwan	(T$)	42.5950	+0.1649	824 - 076	42.6983	42.5644	-	-	-	-	-	-	-
Thailand	(Bt)	39.7067	+0.1665	821 - 313	39.7800	39.6760	-	-	-	-	-	-	-

† Rates for Oct 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	9.8579	-0.0086	543 - 614	9.8850	9.7750	9.8428	1.8	9.8127	1.8	9.7034	1.6	107.5
Belgium	(BFr)	28.7800	-0.03	600 - 000	28.8510	28.5600	28.739	1.7	28.66	1.7	28.36	1.5	109.8
Denmark	(DKr)	5.4305	-0.015	290 - 320	5.4400	5.3850	5.4313	-0.2	5.427	0.3	5.4365	-0.1	109.6
Finland	(FM)	4.2276	-0.003	238 - 313	4.2323	4.1945	4.2271	0.1	4.2261	0.1	4.2216	0.1	87.5
France	(FFr)	4.8710	-0.0545	695 - 725	4.9070	4.8530	4.8795	-2.1	4.8895	-1.5	4.911	-0.8	108.7
Germany	(DM)	1.4006	-0.0011	001 - 010	1.4035	1.3884	1.3984	1.9	1.3941	1.9	1.3755	1.8	112.4
Greece	(Dr)	230.985	-0.98	930 - 060	231.600	229.160	232.72	-9.0	235.92	-8.5	249.395	-8.0	68.5
Ireland	(I£)	1.6210	+0.005	200 - 220	1.6261	1.6190	1.6212	-0.1	1.6213	-0.1	1.6278	-0.4	-
Italy	(L)	1595.35	-8.4	450 - 620	1598.70	1588.50	1602.1	-5.1	1614.15	-4.7	1671.35	-4.8	69.0
Luxembourg	(LFr)	28.7800	-0.03	600 - 000	28.8510	28.5600	28.739	1.7	28.66	1.7	28.36	1.5	109.8
Netherlands	(Fl)	1.5691	-0.0008	686 - 696	1.5739	1.5554	1.5664	2.0	1.5614	2.0	1.5413	1.8	109.5
Norway	(NKr)	6.2055	-0.0115	040 - 070	6.2225	6.1558	6.2017	0.7	6.1955	0.6	6.1855	0.3	98.1
Portugal	(Es)	147.875	-0.445	800 - 950	148.300	146.800	148.34	-3.8	149.35	-4.0	153.975	-4.1	95.4
Spain	(Pta)	121.600	-0.705	550 - 650	122.260	121.140	121.98	-3.8	122.75	-3.8	126.245	-3.8	80.5
Sweden	(SKr)	6.6055	-0.0406	017 - 092	6.6385	6.5619	6.623	-3.2	6.6595	-3.3	6.828	-3.4	85.2
Switzerland	(SFr)	1.1324	-0.0069	320 - 328	1.1352	1.1242	1.1288	3.8	1.1227	3.4	1.0949	3.3	115.8
UK	(£)	1.5801	+0.006	797 - 804	1.5840	1.5788	1.579	0.8	1.5769	0.8	1.5651	0.9	83.2
Ecu	-	1.3089	+0.0052	084 - 094	1.3165	1.3055	1.3093	-0.4	1.31	-0.3	1.3123	-0.3	-
SDR†	-	0.66563	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	1.0001	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9613	-	612 - 614	0.9624	0.9610	-	-	-	-	-	-	-
Canada	(C$)	1.3703	+0.0048	700 - 705	1.3770	1.3657	1.372	-1.4	1.375	-1.4	1.3873	-1.2	82.6
Mexico	(New Peso)	7.0950	+0.15	700 - 200	7.1600	7.0600	7.0972	-0.4	7.1004	-0.3	7.1055	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3256	+0.002	252 - 261	1.3268	1.3241	1.3274	-1.6	1.331	-1.6	1.3507	-1.9	87.6
Hong Kong	(HK$)	7.7330	+0.0005	325 - 335	7.7337	7.7318	7.7345	-0.2	7.7365	-0.2	7.7567	-0.3	-
India	(Rs)	35.4500	-0.1	000 - 000	35.7200	35.4000	35.6	-5.1	35.905	-5.1	37.375	-5.4	-
Israel	(Shk)	3.0363	+0.0058	338 - 388	3.0399	3.0241	-	-	-	-	-	-	-
Japan	(Y)	101.700	-0.1	650 - 750	101.770	100.640	101.205	5.8	100.285	5.6	96.41	5.2	141.2
Malaysia	(M$)	2.5325	-0.0065	320 - 330	2.5400	2.5280	2.5325	0.0	2.5329	-0.1	2.5405	-0.3	-
New Zealand	(NZ$)	1.5223	+0.0002	218 - 232	1.5240	1.5194	1.5264	-3.2	1.5339	-3.0	1.5596	-2.4	-
Philippines	(Peso)	25.9700	-0.03	200 - 200	26.0200	25.9200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7508	3.7502	3.7511	-0.2	3.7519	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4153	-0.0014	148 - 158	1.4160	1.4130	1.4119	2.9	1.4056	2.8	1.3808	2.4	-
South Africa	(R)	3.6353	-	345 - 360	3.6370	3.6320	3.6606	-8.3	3.7106	-8.3	3.9418	-8.4	-
South Korea	(Won)	765.950	+0.2	900 - 000	766.800	765.900	768.95	-4.7	772.45	-3.4	790.95	-3.3	-
Taiwan	(T$)	26.9580	+0.002	560 - 600	26.9600	26.9550	26.978	-0.9	27.018	-0.9	-	-	-
Thailand	(Bt)	25.1300	+0.01	200 - 400	25.1400	25.1180	25.2175	-4.2	24.865	4.2	26.085	-3.8	-

† SDR rate per $ for Oct 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 26. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 27	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅞	4⅛	4⅜	4¼	4⅝	8.00	3.50	-
week ago	4⅛	4⅛	4¼	4⅛	4⅜	8.00	3.50	-
France	7¼	6⅝	6⅞	6⅝	6⅞	5.00	-	7.00
week ago	6⅞	6⅝	6⅞	6¾	6⅝	5.00	-	7.00
Germany	4⅛	4⅛	4⅛	4	4	5.50	3.50	4.03
week ago	4⅛	4⅛	4⅛	4⅛	4⅛	5.50	3.50	4.03
Ireland	5⅝	5⅝	5⅞	5⅝	6⅛	-	-	6.25
week ago	5⅜	5⅝	5⅞	6	6¼	-	-	6.25
Italy	10½	10½	10⅝	10¾	10⅞	-	9.00	10.77
week ago	10⅝	10½	10¾	10⅞	10⅞	-	9.00	10.38
Netherlands	3⅝	3⅝	3¾	3⅞	4	-	3.50	3.70
week ago	3¾	3⅞	3⅞	3⅞	4⅛	-	3.50	3.70
Switzerland	1⅞	1⅞	2⅛	2⅛	2⅛	5.00	2.00	-
week ago	2	1⅞	2⅛	2⅛	2⅜	5.00	2.00	-
US	5⅞	5¾	5⅞	5¾	5⅝	-	5.25	-
week ago	5¾	5⅞	5⅞	5¾	5¾	-	5.25	-
Japan	½	½	½	½	¾	-	0.50	-
week ago	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	5⅞	5⅞	5⅞	-	-	-
week ago	-	5⅞	5⅞	5⅞	5⅞	-	-	-
US Dollar CDs	-	5.60	5.59	5.57	5.57	-	-	-
week ago	-	5.60	5.60	5.61	5.64	-	-	-
ECU Linked Ds	-	5⅝	5¾	5⅝	5⅝	-	-	-
week ago	-	5⅝	5⅝	5⅝	5⅝	-	-	-
SDR Linked Ds	-	3¾	3¾	3⅞	3⅞	-	-	-
week ago	-	3¾	3⅞	3⅞	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅛ - 3⅞	4⅛ - 3⅞	4⅜ - 4⅛	4⅜ - 4¼	[illegible]	[illegible]
Danish Krone	5⅜ - 4⅞	5½ - 5¼	5⅝ - 5⅜	5¾ - 5⅝	[illegible]	[illegible]
D-Mark	4 - 3⅞	4⅛ - 4	4⅛ - 4	4⅛ - 4	[illegible]	[illegible]
Dutch Guilder	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	[illegible]	[illegible]
French Franc	6¼ - 5⅞	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	[illegible]	[illegible]
Portuguese Esc.	8⅞ - 8⅝	8⅞ - 8⅝	9⅛ - 9	9⅜ - 9⅛	[illegible]	[illegible]
Spanish Peseta	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅝ - 9⅜	[illegible]	[illegible]
Sterling	6⅝ - 6½	6¾ - 6⅝	6¾ - 6⅝	6¾ - 6⅝	[illegible]	[illegible]
Swiss Franc	2 - 1⅞	2⅛ - 2	2⅛ - 1⅞	2⅛ - 2	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.24	94.23	-	94.24	94.15	91,058	383,629
Mar	94.48	94.50	+0.01	94.50	94.34	173,809	381,804
Jun	94.48	94.48	+0.01	94.50	94.33	104,614	267,819

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.84	94.83	-0.01	94.84	94.76	1,813	11,843
Mar	94.97	94.99	-	94.99	94.87	1,947	5,409
Jun	94.88	94.90	-	94.90	94.88	21	258

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.87	16.93	4.867	2.144	5544	5.452	21.58	514.0	422.5	22.96	3.934	2.199	4.761	3.475	353.4	2.654
Denmark	(DKr)	52.99	10	8.969	2.579	1.136	2938	2.889	11.43	272.3	223.9	12.17	2.085	1.165	2.523	1.841	187.3	1.407
France	(FFr)	59.08	11.15	10	2.876	1.267	3276	3.221	12.74	303.7	249.6	13.57	2.325	1.299	2.813	2.053	208.8	1.568
Germany	(DM)	20.55	3.878	3.478	1	0.441	1139	1.120	4.431	105.6	86.81	4.718	0.808	0.452	0.978	0.714	72.62	0.545
Ireland	(I£)	46.64	8.801	7.893	2.270	1	2586	2.543	10.06	239.7	197.0	10.71	1.835	1.026	2.221	1.621	164.8	1.238
Italy	(L)	1.804	0.340	0.305	0.088	0.039	100.	0.098	0.389	9.270	7.620	0.414	0.071	0.040	0.086	0.063	6.374	0.048
Netherlands	(Fl)	18.34	3.461	3.104	0.893	0.393	1017	1	3.955	94.27	77.49	4.211	0.722	0.403	0.873	0.637	64.82	0.487
Norway	(NKr)	46.37	8.752	7.849	2.257	0.994	2571	2.528	10	238.3	195.9	10.65	1.825	1.020	2.208	1.611	163.9	1.231
Portugal	(Es)	19.46	3.672	3.293	0.947	0.417	1079	1.061	4.196	100.	82.20	4.467	0.766	0.428	0.926	0.676	68.78	0.516
Spain	(Pta)	23.67	4.467	4.006	1.152	0.508	1312	1.290	5.104	121.7	100.	5.435	0.931	0.521	1.127	0.822	83.65	0.628
Sweden	(SKr)	43.55	8.219	7.372	2.120	0.934	2415	2.375	9.392	223.9	184.0	10	1.714	0.958	2.074	1.513	153.9	1.156
Switzerland	(SFr)	25.42	4.797	4.302	1.237	0.545	1409	1.386	5.481	130.6	107.4	5.836	1	0.559	1.210	0.883	89.83	0.675
UK	(£)	45.47	8.581	7.696	2.213	0.975	2521	2.479	9.805	233.7	192.1	10.44	1.789	1	2.165	1.580	160.7	1.207
Canada	(C$)	21.00	3.964	3.555	1.022	0.450	1164	1.145	4.529	107.9	88.73	4.822	0.826	0.462	1	0.730	74.23	0.558
US	($)	28.78	5.431	4.871	1.401	0.617	1596	1.569	6.206	147.9	121.6	6.608	1.132	0.633	1.370	1	101.7	0.764
Japan	(Y)	28.29	5.340	4.789	1.377	0.607	1569	1.543	6.101	145.4	119.5	6.497	1.113	0.622	1.347	0.983	100.	0.751
Ecu		37.67	7.109	6.376	1.833	0.808	2089	2.054	8.123	193.6	159.2	8.650	1.482	0.829	1.794	1.309	133.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7209	0.7124	-0.0097	0.7221	0.7112	38,557	63,589
Mar	0.7223	0.7155	-0.0097	0.7248	0.7147	143	3,430
Jun	0.7214	0.7185	-0.0097	0.7214	0.7195	5	172

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8881	0.8838	-0.0060	0.8946	0.8828	19,588	33,689
Mar	0.9017	0.8919	-0.0058	0.9020	0.8915	69	1,986
Jun	0.9010	0.8995	-0.0057	0.9010	0.8990	8	408

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.9950	0.9897	-0.0059	1.0010	0.9895	21,851	61,494
Mar	1.0096	1.0038	-0.0059	1.0150	1.0040	573	8,228
Jun	1.0165	1.0168	-0.0059	-	1.0185	14	383

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5842	1.5760	-0.0062	1.5842	1.5752	8,187	34,472
Mar	1.5780	1.5724	-0.0062	1.5780	1.5710	5	216
Jun	-	1.5684	-0.0062	-	1.5690	2	10

■ Pound in New York

Oct 27	Close	Prev. close
£ spot	1.5785	1.5835
1 mth	1.5774	1.5825
3 mth	1.5754	1.5833
1 yr	1.5646	1.5588

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on The Emerging Markets page in today's edition.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.540	3.82	4.14	4.58	0.03	0.43	0.92
1.550	2.85	3.36	3.87	0.07	0.62	1.22
1.560	2.00	2.66	3.23	0.19	0.92	1.58
1.570	1.23	2.09	2.66	0.33	1.30	2.00
1.580	0.64	1.61	2.20	0.75	1.53	2.51
1.590	0.28	1.58	1.76	1.38	1.79	3.01

Previous day's vol., Calls 5,808 Puts 4,948 . Prev. day's open int., Calls 251,897 Puts 288,137

UK INTEREST RATES

LONDON MONEY RATES

Oct 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5¾	6⅞ - 6½	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6¾
Sterling CDs	-	-	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅝	6¾ - 6⅝
Treasury Bills	-	-	6⅝ - 6⅝	6⅝ - 6⅝	-	-
Bank Bills	-	-	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅝	-
Local authority deps.	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6¾ - 6⅝	6¾ - 6⅝	6¾ - 6⅝
Discount Market deps	6⅝ - 6	6⅝ - 6½	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.

Ave. tender rate of discount 6.5346pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 26, 1995 to Nov 25, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from October 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Oct 27	Oct 20		Oct 27	Oct 20
Bills on offer	£1500m	£1500m	Top accepted rate	6.5379%	6.5780%
Total of applications	£7273m	£4449m	Ave. rate of discount	6.5346%	6.5715%
Total allocated	£1500m	£1500m	Average yield	6.6428%	6.6810%
Min. accepted bid	£98.370	£98.360	Offer at next tender	£1500m	£1500m
Allotment at min. level	58%	95%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday October 25, 1995	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,105,491,411	-189,159,952
Bankers deposits	1,838,185,629	+110,791,623
Reserve and other accounts	3,236,960,056	-94,639,388
	6,195,190,096	-173,007,717
Assets		
Government securities	1,592,638,518	+474,164,999
Advance and other accounts	3,692,345,448	-435,715,653
Premise, equipment and other secs	901,235,406	-208,223,807
Notes	8,827,474	-3,214,566
Coin	143,250	-18,690
	6,195,190,096	-173,007,717
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	19,281,172,526	+43,214,566
Notes in Banking Department	8,827,474	-3,214,566
	19,290,000,000	+40,000,000
Assets		
Other Government securities	14,095,876,878	-582,626,529
Other Securities	5,194,123,122	+622,626,529
	19,290,000,000	+40,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)						
Treas 14pc 1996	101⅞	-1	770	Jy22 Ja22	15.6	1305
15¼pc 1996‡‡	104¾xd	-2	1,150	My3 Nv3	27.9	1309
Exch 13¼pc 1996‡‡	103⅜xd	-2	800	Nv15 My15	9.10	1298
Conversion 10pc 1996	103⅛xd	—	3,400	My15 Nv15	9.10	1240
Treas 13¼pc 1997‡‡	107⅞	-1	1,290	Jy22 Ja22	15.6	1302
[illegible]						

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Treas 8½pc 2005‡‡	102⅞	0.5	8,900	Ja7 De7	1.5	4946
7½pc 2006‡‡	95⅞	0.5	3,000	Ja7 De7	—	—
7¾pc 2006‡‡	97¼	0.5	3,900	Mr8 Se8	2.8	2300
8pc 2002-6‡‡	99⅞	0.7	2,000	Ap5 Oc5	1.9	1334
Treas 11¾pc 2003-7	120⅞	0.3	3,150	Jy22 Ja22	15.8	1293
[illegible]						

Index-Linked (b)	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
2pc '96 (67.9)	213⅞	—	1,200	Mr16 Se16	10.8	1313
4⅝pc '98‡‡ (135.6)	111⅞xd	—	800	Ap27 Oc27	20.9	1753
2½pc '01 (78.3)	176	0.2	1,700	Mr24 Se24	16.8	1316
2½pc '03 (78.8)	172⅞xd	0.3	1,700	My20 Nv20	16.10	1317
4⅜pc '04‡‡ (135.6)	114⅛	0.4	1,000	Ap21 Oc21	14.9	1255
2pc '06 (69.5)	180⅞	0.5	1,850	Ja19 Jy19	12.6	1314
[illegible]						

Other Fixed Interest [illegible]

STOCK INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

[illegible]

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF HOLDERS OF BONDS. IF HOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONTACT THEIR STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

Sanyo Electric Co., Ltd.

(Formerly Tokyo Sanyo Electric Co., Ltd.)

US$100,000,000 3½% Convertible Bonds Due 1999

(the "Bonds")

NOTICE OF EARLY REDEMPTION

NOTICE IS HEREBY GIVEN that pursuant to Condition 8(C) of the Bonds the Company will redeem all of the Bonds at their principal amount on 30th November, 1995 together with accrued interest to that date.

RIGHTS OF CONVERSION

Bondholders are reminded that in accordance with Condition 7(A) of the Bonds the last date upon which Conversion Rights in respect of the Bonds may be exercised is the business day (in the place of the relevant Conversion Agent) immediately preceding 30th November, 1995 and prior to that time Conversion Rights may be exercised by Bondholders by completing, signing and depositing at the specified office of any of the Conversion Agents listed below at his own expense during normal business hours of the Conversion Agent with which the Bond is deposited for conversion a Conversion Notice in the form obtainable from any Conversion Agent together with the relative Bond in accordance with Condition 7(B) of the Bonds.

IMPORTANT

For illustrative purposes only

Based on the closing price of the Shares of the Company listed on the Tokyo Stock Exchange on 25 October, 1995 of ¥530 per Share, each US$5,000 is convertible, at a Conversion Price of ¥593.8 into Shares with a value (including fractional entitlements) of US$11,085.42 (translated into US$ at ¥100.45=US$1, the TTM quoted by a leading bank in Tokyo on October 25, 1995).

NB: The number of Shares to be issued shall be determined by dividing the principal amount of the Bond (translated into Yen at the fixed rate of ¥249.55 = US$1) by the Conversion Price.

The Redemption Price for each US$5,000 principal amount of Bonds is US$5,000.

Bondholders who do not wish to exercise their Conversion Rights should surrender their Bonds together with all unmatured Coupons appertaining thereto failing which the amount due in respect of any missing unmatured Coupons will be deducted from the principal amount due for payment, at the specified office of the Paying Agent in New York City or, at the option of the holder, at the specified office of any other Paying Agent which will make payment by dollar cheque drawn on or by transfer to a dollar account maintained by the payee with, a bank in New York City and otherwise complying with the Terms and Conditions of the Bonds.

Each Bond and Coupon will become void unless presented for payment within a period of 10 years and 5 years respectively after the relevant date (as defined in Condition 12 of the Bonds).

PRINCIPAL PAYING AGENT AND CONVERSION AGENT

Citibank, N.A., Citibank House, 336 Strand, London WC2R 1HB.

PAYING AND CONVERSION AGENTS

The Sumitomo Bank, Limited, Temple Court, 11 Queen Victoria Street, London EC4N 4TA.

ABN Amro Bank N.V. Foppingadreef 22, P.O. Box 283, 1000, B.A. Amsterdam, Netherlands.

The Sumitomo Bank, Limited Avenue des Arts 21-22, 1040 Brussels, Belgium.

Citibank, (Luxembourg) S.A., 16 Avenue Marie Thérèse, Luxembourg L-2132.

Banque Générale du Luxembourg S.A., 14 rue Aldringen, 27 Avenue Monterey, Luxembourg.

Crédit Lyonnais, Boulevard, Des Italiens 19 75002 Paris.

Swiss Bank Corporation, Aeschvorstadt 1, CH-4002 Basel.

Dresdner Bank Aktiengesellschaft, Juergen Ponto Platz 1, 60301 Frankfurt/Main.

Citibank, N.A., 120 Wall Street, New York, N.Y. 10043.

October 30, 1995, London

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

Prices for dealing October 27

Jupiter Tyndall (Bermuda) Ltd

PO Box HM1258, Hamilton, Bermuda 001 809 292 2760

Jupiter Tyndall World Unbonds Fund Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 248, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey 01481 710851

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Buchanan Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Clemente Korea Emerging Growth Fund

Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Royal Life International

Magnum Funds

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Pf		90½	—	8%	—	Jan Dec	14.11	1757
Cater Allen	♣v	473	-2.1	28.0	2.2	Jan Aug	3.7	2061
Close Bros.	♣v	378xd	—	8.7	♦	Apr Nov	9.10	2165
Gerrard & Nat.	♣v	443	-1.1	22.5	1.3	Jul Dec	10.7	2888
Hambros	v□	200	-2.4	7.5	0.3	Aug Dec	19.6	2812
7½pc Cv Pf		108½	-1.5	7½%	—	Oct Apr	4.9	4388
Joseph (L)	♣v	423	—	17.65	1.0	Sep Dec	17.7	3068
King & Shaxson	♣v	116	-8.4	8.8	1.4	Jan Jul	26.6	3088
Rea Brothers	♣v	45	—	1.0	2.4	May Sep	14.8	3785
Schroders	♣†‡v□	1285	-5.7	14.17	5.1	May Oct	18.9	3839
N/V	†‡v	1070	-4.9	14.17	5.1	May Oct	18.9	3841
Singer & Fried	♣†v□	105xd	—	3.7	2.7	Nov Jun	25.9	4028
8½pc Cv Ln 09/14		£129½	—	08½%	—	—	19.10	4045
Union	♣v□	105	-3.7	3.8	—	Apr Aug	31.7	4583
Wintrust	♣v	285	—	11.35	1.5	Mar Oct	28.8	4624

BANKS, RETAIL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	□	£28½	-1.3	084%	2.1	Sep May	9'93	—
ANZ A$	†	262	-4.4	Q28c	2.4	Jan	12'93	—
Abbey National	♣†v□	534	-3.4	19.3	2.6	May Oct	7.8	5411
Allied Irish I£	♣†□	318	-2.7	058%	3.1	Sep Apr	7.8	1354
Anglo Irish I£	□	63	—	Q17.5%	1.8	Jan Jul	22.5	1355
Asahi Y	□	616	-6.3	Q14%	1.3	Jan Dec	12'92	3848
Banco Bil Viz Pta	□	£19⅛	-2.3	Q27.2%	2.7	JyOcJaAp	7'93	—
Banco Sant Pta		£26⅝	-1.8	Q34.7%	1.1	JyOcJaAp	2.5	—
Bk Ireland I£	v□	419	-1.4	Q35.05%	3.9	Jan Jul	22.5	1380
Bank Scotland	♣†v□	251xd	-3.5	6.14	3.7	Jul Dec	16.10	1742

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OIL, INTEGRATED - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£31⅝	....	Q478c	ф	Oct Apr	3'93	–
Barlow	♣	£8⅞	1.0	Q58c	2.8	Jan Jul	19.6	–
Gold Flds Prop R		156xd	2.7	Q80c	2.1	Feb Sep	1'94	–
NK Props		86	....	Q87.1c	–	Feb Sep	10'93	–
SASOL	♥	539	–1.5	Q78c		Oct	9'93	–
SA Brews		£21⅞	3.0	Q208c	2.1	Jan Dec	30.5	–
Standard Bank	☐	£24⅞	2.4	Q264c	3.1	Sep Mar		–
Tiger Oats		1015	–6.6	Q85c	2.8	Jan Aug	19.6	–
Tongaat-Hulett	†b	852	0.2	Q80c	2.4	Jan Jun	15.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "v" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; x8 ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Abacus Recruitment** (AIM). **Deletions: Baringe 9 3/4pc Pf** (Bks Merc), **World Fluids** (Extr Inds), **David Lloyd** (Leis) and **Reflex** (Sup Servs).

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2585. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Both Annual Reports and FT Company Focus are available from the above number.

FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close October 27

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12⅛	AAR x	0.48	2.7	24	199	17¾	17⅛	17¾	+⅝
46¼	35	AMP	0.92	2.4	20	7731	38⅞	37¾	38¼	+¼
80¼	53⅛	AMR			15	7304	65⅝	64¼	65¼	+¾
47⅞	36½	ASA	1.71	4.7	24	956	37	d36½	36½	-⅜
44¾	30¾	AbbotL	0.84	2.1	19	8894	39¾	39⅛	39⅜	-¼
16⅞	12	Abitibi Pr	0.40	2.5	8	3407	16⅛	15½	16	+⅛
27⅞	21	ABM Ind	0.60	2.3	14	10	26⅝	26⅜	26⅜	-⅛
17½	13½	Acptncetn			10	253	14⅞	14¾	14¾	
35⅞	21⅞	ACE Ltd	0.56	1.7	8	3376	34	32¾	33	-1
9⅞	8⅛	ACM Gvt In	0.90	9.5	8	132	9½	9⅜	9½	
7¾	6½	ACM GvOpp	0.65	8.9		90	7⅜	7¼	7⅜	
7½	5¾	ACM Gvt Sp	0.75	10.9		53	7	6⅞	6⅞	-⅛
8¾	7¼	ACM Gvt Sc	0.90	10.4		683	u8¾	8⅝	8⅝	-⅛
9½	7⅝	ACM Man	0.90	10.9		456	8¾	8⅝	8¾	
29¾	10¼	AcmeCtv	0.48	2.3	10	296	22⅛	20⅜	20½	-2¼
39¾	8¼	Acme Elect			75	168	9½	9	9	-⅛
34½	23¾	Acordia	0.72	2.7	12	58	26⅝	26	26⅝	+½
19½	8⅝	Actava	0.36	2.0	13	894	17⅞	16½	17¾	+⅞
16¾	10⅛	Acuson			30	610	11⅝	11½	11½	-¼
18⅞	15⅝	Adams Expr	0.48	2.6	0	247	18½	18¾	18⅜	-⅛
38⅞	23⅞	AdvMic			7	12765	25	d23¾	24½	-⅜
9½	5	Advest Grp	0.16	1.8	16	77	9¼	9	9	
25¾	16½	Advo Inc	0.10	0.4	20	290	25½	25	25⅜	+⅛

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

هكذا من الأصل

هكذا من الأصل

4 pm close October 27

NYSE COMPOSITE PRICES

Continued from previous page

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

FT Free Annual Reports Service

NASDAQ NATIONAL MARKET

4 pm close October 27

- B -

- C -

- D -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close October 27

FT GUIDE TO THE WEEK

MONDAY 30

Quebec referendum

The largely French-speaking province of Quebec holds a referendum on independence from Canada. In the run-up, the momentum has been with the separatists in spite of warnings from Jean Chrétien, Canada's prime minister, that separation would be an economic disaster. It will be the second time in 15 years that the sovereignty question has been put to the province in a referendum. Québécois voted 60-40 against sovereignty in 1980.

EU foreign ministers meet

European Union foreign ministers meet in Luxembourg. The agenda includes the former Yugoslavia, preparations for a joint meeting with central and eastern European foreign ministers and a decision on the signing of interim accords with Kazakhstan, Kyrgyzstan, Moldova and Belarus. The signing of a landmark trade and co-operation deal by Israel and the EU due to take place today has been postponed to next month.

Franco-British air operations

UK prime minister John Major and President Jacques Chirac of France inaugurate the Franco-British European Air Group – FBEAG – at the Royal Air Force's station in High Wycombe in southern England. The new European military unit will create a command structure to plan joint air operations, such as flying units and equipment to the former Yugoslavia.

Nuclear weapons hearing

The International Court of Justice at the Hague begins hearings on the World Health Organisation's request for an advisory opinion on the legality of nuclear weapons (to Nov 15).

Trimble in Washington

Ulster Unionist leader David Trimble leads a delegation to the US, where he hopes to hold talks with President Bill Clinton. His schedule in the US includes a visit to his party's newly opened bureau in Washington and meetings in New York and Boston. Mr Trimble will also meet senator Edward Kennedy and President Clinton's special economic adviser on Northern Ireland, George Mitchell.

Christopher in Syria

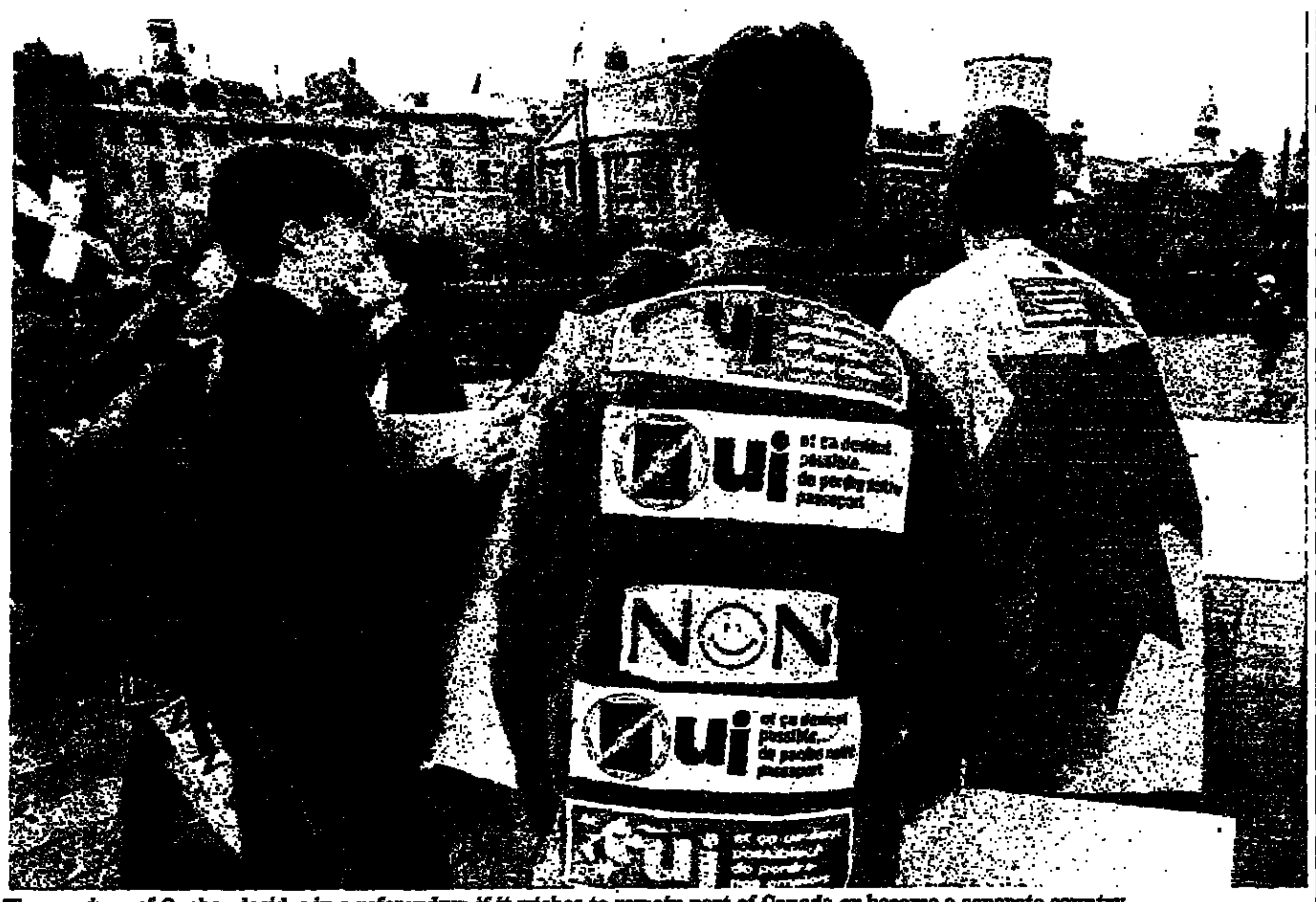
US secretary of state Warren Christopher holds talks with Syria's President Hafez al-Assad in Damascus. Mr Christopher is likely to focus on the stalemate between Syria and Israel over negotiations on the Golan Heights.

Dutch defend role

The Dutch government publishes a report today which is expected to say that Dutch UN troops did all they could to protect the Moslem enclave of Srebrenica, but were unable to prevent it falling to Bosnian Serb forces in July. Defence minister Joris Voorhoeve will present his findings amid allegations that Dutch peacekeepers stood by as Bosnian Serbs committed atrocities.

Holidays

Irish Republic, Venezuela.



The province of Quebec decides in a referendum if it wishes to remain part of Canada or become a separate country

TUESDAY 31

Japan debates sects

A special House of Representatives committee is expected to start deliberating on a bill that would establish tough central government controls over religious groups, in an attempt to avoid a repeat of last March's lethal gas attack on the Tokyo subway by Aum Shinri Kyo, a mystical sect. The sect's leader, Shoko Ahara, has been charged with killings in connection with the attack. The opposition claims the bill is really designed to curb Soka Gakkai, a prosperous lay Buddhist group which supports it.

D-Day for tax

Hallowe'en is the deadline for personal tax payers to send back their 1994-95 returns. Penalties for failing to meet the deadline vary – individuals can be fined and may also have to pay interest on tax bills that should have been paid. About 9m people will receive tax forms. Last year, a quarter of the forms sent out were not returned by 31 October.

Murder verdict

A special tribunal in Port Harcourt will give its verdict in the murder trial of minority rights leader Ken Saro-Wiwa and four others, arrested over the killing of four local politicians in their native Ogoniland. Saro-Wiwa has won international awards for his leadership of the Movement for the Survival of the Ogoni People, which has campaigned against Anglo-Dutch Shell and Nigeria's military rulers for exploiting oil reserves and polluting the environment. If the verdict is guilty the death sentence is mandatory.

Holidays

Slovenia, Taiwan.

WEDNESDAY 1

Bosnia peace talks

The presidents of Serbia, Bosnia and Croatia, Slobodan Milosevic, Alija Izetbegovic and Franjo Tudjman, converge for peace talks at the Wright-Patterson Air Force Base in Dayton, Ohio. Carl Bildt, a former prime minister of Sweden, and US negotiator Riochard Holbrooke will steer the negotiations, which are expected to last two weeks.

S. Africa local elections

South Africa goes to the polls for the first time since April 1994 to elect local councils, the final leg of the three-tier democracy provided for by the interim constitution. The exceptions will be the province of KwaZuluNatal and part of the Cape Town metropolitan area, where disputes over electoral boundaries and the role of traditional leaders have forced a postponement. About 75 per cent of eligible voters have registered for the elections, which may show whether the African National Congress has retained the 62 per cent of the popular vote it won in the national elections last year.

Deadline for Russia

The official list of qualifying parties that will contest Russia's parliamentary elections on December 17 is published. Half the deputies will be selected from the most popular parties' lists, with the rest being directly elected in single-mandate constituencies. The Communist party, headed by Gennady Zyuganov, and the nationalists, grouped around General Alexander Lebed, are expected to do well in the election.

UK economics

Kenneth Clarke, the chancellor, holds his regular monthly monetary meeting with Eddie George, governor of the Bank of England. Most economists expect them to leave interest rates unchanged until after the UK Budget on November 28.

Antarctic challenge

British explorer Roger Mear starts his attempt to be the first man to walk across Antarctica alone. The trek is due to last 100 days and will pit Mr Mear against Norwegian rival explorer Borge Ousland, the man who beat Ranulph Fiennes to the North Pole.

Rwanda genocide talks

Experts on genocide, including holocaust survivors, meet in Kigali for a conference on last year's mass slaughter (to Nov 5). The Rwandan government is seeking advice on how to deal with the aftermath of the genocide, in which an estimated 1m Tutsis and Hutu moderates died.

Chernobyl meeting

The Nuclear Working Group on Chernobyl begins two days of talks in Kiev. Ukrainian and G7 officials, represented by Canada, will discuss financial terms for closing the power plant, the site of the world's worst nuclear accident in 1986. Both sides have been optimistic that a deal will be done before the end of the year.

FT Surveys

FT/IT, Aluminium.

Holidays

Austria, Bolivia, Chile, France, Germany, Guatemala, Ivory Coast, Lebanon, Peru, Philippines, Slovakia, Spain (All Saints' Day), Belgium, Italy, Luxembourg, Hong Kong, Mexico, Slovenia.

THURSDAY 2

Kuala Lumpur UN conference

The Malaysian Strategic Research Centre and Institute for Policy Research holds a three-day conference on the United Nations at 50 in Kuala Lumpur. Prime minister Mahathir Mohamad delivers the keynote address at the event, which will focus on the future role of the UN.

39th London Film Festival

London's annual film festival opens with 34 movies being shown during the next 18 days. There are also special screenings of Martin Scorsese's Casino and Woody Allen's Mighty Aphrodite. Strange Days, a futuristic thriller directed by Kathryn Bigelow and starring Ralph Fiennes, opens the festival at the Odeon, Leicester Square.

Holidays

Bolivia, Brazil, Costa Rica, Ecuador, El Salvador, Mexico, Uruguay, Nicaragua (All Souls' Day), Luxembourg.

FRIDAY 3

Leeson's last chance

Lawyers in Frankfurt have their last chance to prevent former Barings Bank trader Nick Leeson from being extradited to Singapore to face charges related to the bank's collapse in February. Written appeals are due today to go before the German high court in Karlsruhe. These seek to have Leeson freed from the jail where he has been held since March after his detention at Frankfurt airport.

Mastering Management

MasteringManagement

The FT's UK edition contains the second issue of Mastering Management, a 20-part series written by professors and other academics from the London Business School, the International Institute for Management Development in Switzerland and The Wharton School of the University of Pennsylvania, US.

Loosely based on an MBA curriculum, the "course" includes everything from finance and marketing to ethics and organisational behaviour. Non-UK readers will be invited to subscribe to the series.

FT Survey

Atlanta and Georgia.

Holidays

Ecuador, Japan (Culture Day), Panama, Sweden.

SATURDAY 4

Discussions on Okinawa

Prime minister Tomiichi Murayama will meet the Okinawa governor, Masahide Ota, in Tokyo to try to break the stalemate over the continued leasing of land to US forces in the Okinawa Prefecture. Thousands of Okinawans have taken to the streets recently to protest against the large US military presence on the island. Passions were inflamed after the rape of an Okinawan schoolgirl, allegedly by three US servicemen. The three are to go on trial in Japan on November 7.

Berthold Brecht discovery

A recently discovered play that Bertold Brecht wrote in his youth is premiered in Berlin. "David", the story of the biblical king, will be staged at the Hebbel Theater. The piece is mentioned in the diaries of Brecht, who died in 1956, and was found in his archives incomplete and unpublished. Director Brigitte Grothum became interested and has added Bible verses and passages from the diaries.

Boxing

WBO heavyweight title holder Riddick Bowe takes on Evander Holyfield at Caesars' Palace, Las Vegas. Also in town is Mike Tyson, who fights Buster Mathis Junior at the MGM Grand.

SUNDAY 5

Georgia holds elections

Georgia holds joint presidential and parliamentary elections. Georgian leader Eduard Shevardnadze, who survived an assassination attempt in August, is widely expected to win the presidential election.

Elections in Poland

Today is the first round of presidential elections in Poland. President Lech Walesa campaigns for a second term in an election which shows the dividing lines between the anti-communist Solidarity movement and the former Communists still run deep. Aleksander Kwasniewski, his main rival and head of the former communist Left Democratic Alliance (SLD), is ahead in the polls and is expected to beat Mr Walesa in the first round – although unlikely to win an outright majority.

Compiled by Liisa Rohumaa and Simon Strong.
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: UK M0 money supply growth is expected to have slowed slightly this month. US personal income growth is expected to have risen in September.

Tuesday: French unemployment is thought to have fallen slightly last month after the unexpectedly large rise in August. US consumers' confidence about the US economy and their personal finances is expected to have improved this month.

Wednesday: The UK's visible trade deficit with the rest of the world is thought to have widened further in August. The latest survey by the US National Association of Purchasing Managers (NAPM) is expected to show continued weak manufacturing activity this month.

Thursday: The Bundesbank is expected to leave interest rates unchanged at its regular council meeting, although some economists think that the short-term "repo" rate could resume its downward trend.

Friday: US non-farm payroll data is expected to show fewer jobs being created in October than in September. Canada's unemployment rate is thought to have risen this month.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Sep personal consumptipn exp	0.5%	-0.1%
Oct 30	US	Sep personal income	0.3%	1.0%
	US	*3rd qtr ECI civilian*	*0.7%*	*0.7%*
	UK	Oct M0**	5.4%	5.5%
	UK	Oct M0*	0.5%	0.6%
	Canada	Aug fix-weight emplouee earnings**	1.5%	1.5%
Tues	US	Consumer confidence	98.0	97.4
Oct 31	US	New home sales	720,000	710,000
	Japan	Sep unemployment rate	3.2%	3.2%
	Japan	Sep job offers/seekers ratio	0.61	0.61
	Japan	Sep housing starts**	-10.9%	-10.9%
	France	Sep unemployment rate	11.4%	11.4%
	Switz'd	Oct consumer price index**	2.0%	2.0%
	Switz'd	Oct consumer price index*	0.0%	0.0%
Wed	US	Sep leading indicators	No change	0.2%
Nov 1	US	Sep construction spending	0.5%	-0.2%
	US	Oct domestic car sales	7.2m	7.3m
	US	Oct light truck sales	5.5m	5.5m
	US	Oct Nat Purchasing Managers Assoc	50.0%	48.3%
	UK	Sep consumer credit	£550m	£535m
	UK	Aug visible trade (global)	-£1,200m	-£1,056m
	UK	Oct official rerserves	$50m	$128m
	Brazil	consumer price index	1,28%	0.74%
Thur	Canada	Help wanted index	94	93
Nov 2	Aus'lia	Sep retail trade	-0.6%	2.1%
	Aus'lia	*3rd qtr retail trade*	*1.6%*	*1.9%*
	Denmark	Sep unemployment rate	10.2%	10.3%
	Arg'ina	Oct consumer price index	0.15%	0.2%
	Arg'ina	Oct wholsale price index	0.5%	0.9%
Fri	US	Oct non-farm payrolls	130,000	121,000
Nov 3	US	Oct manufacturing payrolls	-5,000	-32,000
	US	Unempoyment rate	9.3%	5.6%
	Canada	Oct employment*	0.2%	0.2%
	Canada	*Oct unemployment*	*9.3%*	*9.2%*
	Canada	Oct foreign reserves (change)	-C$0.9bn	C$0.7bn
	Canada A	Aug labour income*	0.1%	-0.3%
	Arg'ina	Sep trade balance	$200m	$131m
During the week...				
	Germany	Sep industrial production (west)*	2.2%	-4.8%
	Germany	Sep manufacturing output (west)*	2.5%*	-5.0%
	Germany	Sep industrial production (pan)*	1.5%	NA
	Germany	Aug trade balance	DM8.7bn	DM9.0bn
	Germany	Aug current account	-DM5,3bn	-DM0.4bn
	Belgium	*Oct unemployment rate*	*14.8%*	*14.8%*
	Finland	Sep trade balance	FM2.7bn	FM2.0bn

*month on month, **year on year, ***qtr on qtr. †seas adj *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD
No.8,905 Set by CINCINNUS

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. *Solutions by Thursday November 9, marked Monday Crossword* 8,905 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday November 13. Please allow 28 days for delivery of prizes.

Name..

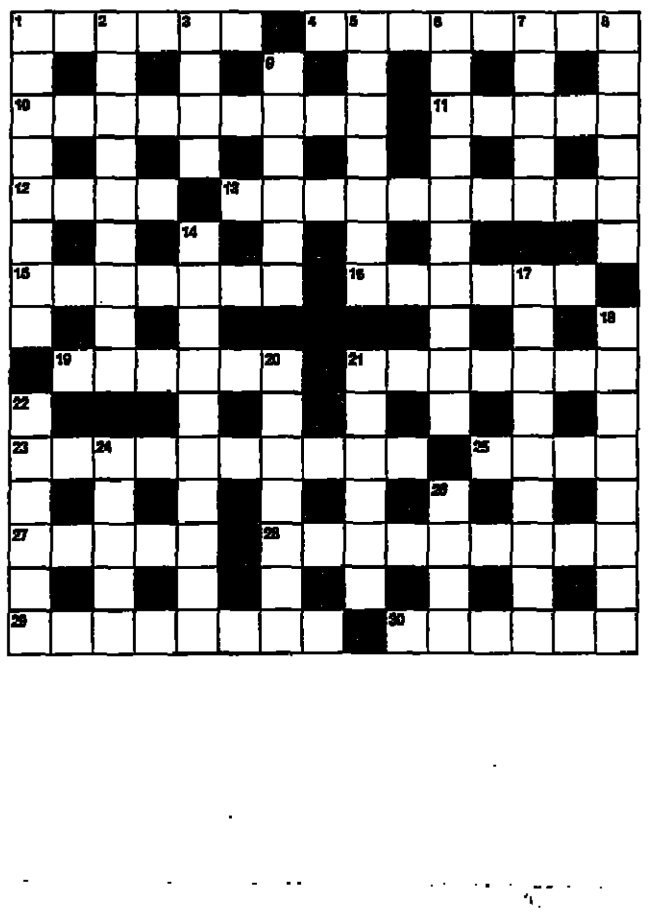
Address..

ACROSS

1 A lord must be heard to be seen (6)
4 The contents of a dish make a graduate bad (8)
10 The rottenness of cement that has freed one inside (9)
11 Weapon with point in box (5)
12 Long beaches provided (4)
13 Maids start becoming authors (10)
15 Settled old-fashioned duke (7)
16 In mid-Wales Buddhist priests domesticated guanacos (6)
19 Little time at present for fish (6)
21 Girl seeing seismal activity (7)
23 Hear what I have to say, my ursine companion (4,4,2)
25 An insect used to be quiet (4)
27 Check car on time (5)
28 Assembling in Greece, men make sudden appearance (9)
29 Proper cracker of our codes (8)
30 Chair accommodating primitive artist (6)

DOWN

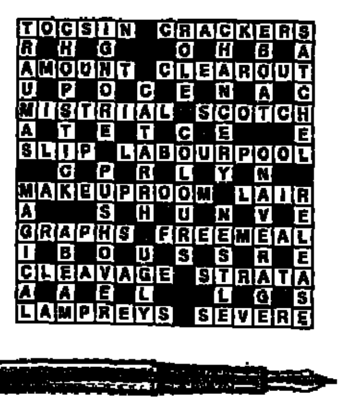
1 Loud praise for fruit, including article by American (8)
2 Perfume obtained from tail pouch? (9)
3 Boxer has end of fight settled (4)
5 Very bad infant, little, topped and tailed (7)
6 Never satisfied wearing fur, holding it round one (10)
7 Fine sediment runs away (5)
8 One who plays an instrument badly is truly non-U (6)
9 Neckwear, coloured, in rows (6)
14 Teetotal advice from a poet .... (10)
17 .... one ordering tea in bars? (9)
18 Epitaphs composed for the most fortunate (8)
20 Note gold applied to marble erected by artist (7)
21 MP and constituent (6)
22 Sailor with paddle on quarter-deck on ship (6)
24 When detectives turn up with underwater detective apparatus (5)
26 Monster helping to make progress (4)



Winners 8,893

J. Doe, Bath
R.G. Crawford, Chipping, Lancashire
D. Cuthbertson, Benton, Newcastle upon Tyne
G.E. Hirst, Counteshorpe, Leicester
C. Mercer, Royston, Herts
P.G.L. Mudge, Twickenham, Middlesex

Solution 8,893



هكذا من الأجل

THIS WEEK

Muggy valley where time stands still

DATELINE

Bonn: Radical change is foreign to at least one German city, writes **Peter Norman**

If Rip Van Winkle had been able to wake up anywhere after his 20 years asleep, he would probably have chosen Bonn.

Three months living in Bonn after 17 years away is a disconcerting experience. While Germany has experienced profound changes, including reunification, a couple of recessions and the transformation of Helmut Kohl from a gauche leader of the opposition to heavyweight European statesman, Bonn seems in many ways a town where time has stood still.

Take our local Italian restaurant between 1973 and 1978. True, the original partnership broke up with Bruno moving away and upmarket to become the owner of one of Bonn's more fashionable eateries with breathtaking views over Bad Godesberg and the Rhine. But Lucio is still there, with the same cook and the same menu. And thanks to Germany's low inflation, the prices are not too far above 1978 levels.

The nearby supermarket has the same owner and the same layout. One of the few obvious changes in 17 years has been the promotion of the jolly, young check-out lady to take charge of the cheese counter.

Then again, there is the institution of the Bundespressekonferenz, where the Bonn press corps has its thrice-weekly opportunity to quiz the spokespersons of the government and the ministries.

True, there is now a posse of video cameramen who glide around during the proceedings, unaccountably filming journalists scribbling in notebooks.

But the glass walled, aquarium-like conference room is just the same, as are many of the people in it.

Mr Herbert Schmülling, the present deputy government spokesman, was sitting up on the dais in the early 1970s fielding questions for the interior ministry.

Mr Erwin Reuss was then, and still is, spokesman for the agriculture ministry.

There have been *some* changes. New ministries have sprouted on the vacant lots that used to mark the border between Bonn and Bad Godesberg. Familiar place names have disappeared from addresses with the advent of numerical postal codes.

But the prevalence of old fashioned pulse phones shows there are limits to "going digital" in Bonn, although in fairness it should be added that the German capital is not unique in this respect. It is also impossible to reach voice mail and other modern phone services from Frankfurt international airport.

Cycling and recycling play a much bigger role in the Bonners' lives than before. It is on a bicycle that the average German becomes a rebel. In spite of a generous supply of cycle tracks, cyclists are prone to barrel along footpaths, weave along roads and go the wrong way up one-way streets.

Because of the ubiquity of insurance policies covering legal costs, pedestrians and car drivers alike do well to treat errant cyclists with the same respect as sacred cows in India.

Recycling, by contrast, appeals to the German love of organisation. Enhancing the environment has meant littering the streets with large plastic wheelybins and bee-hive shaped bottle banks. Households can have a blue bin for paper and card; a yellow bin for drink cartons, plastics bottles, foil and tins; a green bin for garden waste and a black bin for "normal" waste.

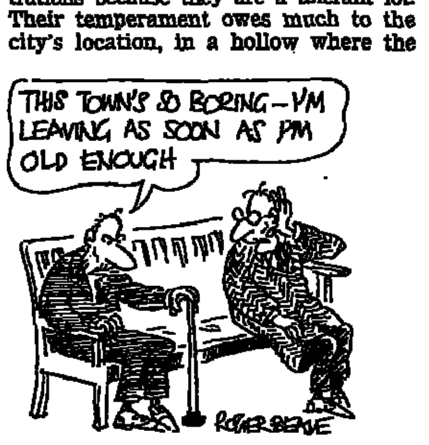
Remembering which bin is due for collection on which day is the least of a household's problems. Joghurt pots and sausage wrappers should be washed before going in the yellow bin, even though this involves the use of polluting detergents.

Offenders who abuse the system have found that normally affable neighbours can turn into hostile environmental vigilantes.

Earlier this month, the local press proudly reported that Bonn had now become the "model city" for recycling rubbish. This year each inhabitant is expected to recycle an average of 165 kilos of various wastes, 43 kilos more than two years ago.

One drawback is that much of the waste will be dumped abroad as Germany lacks the recycling capacity to keep up with its citizens. It also upsets some people that many items so carefully sorted and washed before going into the yellow bin will be unceremoniously turned into a black goo to fuel blast furnaces rather than come back into the house as shiny new plastic utensils.

But the Bonners will survive such frustrations because they are a tolerant lot. Their temperament owes much to the city's location, in a hollow where the Rhine leaves the Westerwald and Eifel hills behind. This has created a unique micro-climate.



Bonn is muggy: according to legend, the troops destined for the Kaiser's empire in Africa trained on the hills opposite Bad Godesberg.

It is soporific, a place that saps the vitality of many a new arrival. Rather than encouraging angst, the complaint that foreigners most usually associate with Germans is that it fosters circulatory problems, Germany's true national ailment. Add to these climatic attributes a peculiar social mix with a heavy weighting of bureaucrats, diplomats and journalists, and it becomes apparent that Bonn is not Germany.

Indeed, with its university and innumerable political think tanks, it has always been a puzzle why there has been so little research into the influence of Bonn on the politics and policies of the German federal republic.

Is Bonn's unchanging nature the clue to Germany's remarkable post war stability? Could the indecision and prevarication that so often passes for government in Germany be the result of a yawn-provoking climate rather than a complex federal constitution with elaborate checks and balances?

It is not too late to find out. There are still at least three years before Germany's capital moves to Berlin. The final years of the millennium offer the perfect opportunity for some aspiring PhD to make a comparative analysis of German politics and policies in transition from the dozy valley of the Rhine to the more bracing environment of the north German plain.

PEOPLE

South Africa needs greater consensus

Anglo American's **Bobby Godsell** tells **Roger Matthews** that business and community must work together

If South African managers have anything to teach the rest of the world it is how to be corporate citizens, according to Bobby Godsell, an executive director of Anglo American, the country's largest conglomerate.

"I am arrogant enough to say that there is a certain tradition in South African business which has always viewed community leadership and business leadership as a seamless garment," he said.

"Being an entrepreneur and being concerned about the social and political realities of your country naturally belong together. The arrogance is that I think senior business leaders in other countries, including the established democracies, could take a leaf out of our book."

Godsell practises what he preaches. He cannot remember an election campaign in which he was not active, is proud that Anglo employees are candidates for at least three different parties in Wednesday's local elections, and played a central role in negotiating a new labour relations law, the most important piece of legislation to have been approved by parliament since the April 1994 elections.

He thinks that business leaders elsewhere in the world have been too defensive and not sufficiently creative in entering the debate about what constitutes the public good. "They have tended only to enter the debate to protect their immediate business interests, and not to exert their own rights as citizens," he said.

Happily for Godsell, who recently took over responsibility for Anglo American's gold and uranium division, his personal convictions appear to coincide with President Nelson Mandela's desire to forge a national consensus on key economic issues.

"Consensus decision-making should not just be a feature of our political transition, but a feature of our national emerging character," said Godsell. "Wherever possible we should try to reach an outcome that accommodates everybody that matters, at least to some extent."

During negotiations on the labour relations bill Godsell said there were proposals, such as imposed centralised bargaining, which business simply could not accept. "We had to be able to stand up afterwards and say that under this law we can make money."

The African National Congress always had the option of outvoting other parties in cabinet and parliament, but Godsell said he was impressed by its determination to reach an agreed solution. "Tito Mboweni, the minister of labour, must take huge credit for this. The time, energy and political capital he put at risk was quite extraordinary. In that sense it was the new South Africa at its very best."

But the new labour law will not answer the primary concern among black South Africans, identified by Godsell as the need for work. He believes that one of the most unhelpful phrases conjured up during the second half of this century is "job creation".

"I do not know of a single person anywhere entering an economy who has set out to create jobs. It is a deep misunderstanding of cause and effect. People enter a market economy to make money. They do that by producing goods and services at a profit to themselves. That they employ people is incidental to the process. I do not know of any job creation programme that has contributed to economic growth, or has made a significant impact on levels of poverty," he said.

The challenge for the South African government was to align itself with global markets. Manufacturers had to become more competitive and to identify new markets.

"The government must be asking what we can do to make it easier and more attractive for a whole range of people, but particularly small entrepreneurs, to start businesses. They are the people who have to get out into the market place and make things happen," said Godsell.

Anglo American's Bobby Godsell wants to see much more harmony

He was pleased that the government had decided to sharpen competition policy, and was keen for South Africa's largest companies to be part of the debate. It was right that a more vigorous attempt should be made to break up price cartels, and attack those trying to tie up markets or prevent other companies gaining entry. "As a citizen and someone who is concerned about economic growth, I think the government has to be much more effective in this area," said Godsell.

Such comments should delight Trevor Manuel, the minister for trade and industry, who while drawing up new competition legislation has clashed with at least one of Godsell's colleagues.

However, Godsell added that it would be fatal to confuse an effective and aggressive competition policy with a view over whether big business was good or bad for economic growth. "Big, efficient businesses are very good for growth. Big, inefficient businesses are bad for growth," he said. And there was no doubt in his mind into which category Anglo American fell.

Japan's answer to Bill Gates talks tough

Masayoshi Son, the 38-year-old hero of Tokyo's over-the-counter market, does not give up easily, writes Will Dawkins in Tokyo.

Softbank, the software distributor he founded 14 years ago and now Japan's largest, is negotiating to buy Ziff-Davis Publishing, the world's largest producer of computer magazines, just a year after being outbid for the US group by Forstman Little, the New York investment partnership.

Undeterred, Son says he is now prepared to pay more than the equivalent of Y145bn which Forstman Little paid for a 94 per cent stake in Ziff-Davis Publishing late last year. That would dwarf Softbank's Y47.5bn shareholders' equity, though Son says he can raise the cash via a Y63bn new share issue, plus bonds and other forms of debt.

The episode is typical of Son's tenacity, a quality which has caused admirers to liken him to Bill Gates, the founder of Microsoft, with which Softbank last June formed a joint venture to sell personal computer games in Japan.

Masayoshi Son: big ambition

Son's life story, certainly, is a classic rags-to-riches tale. His parents, of Korean extraction, lived in a shanty town on the edge of Tosu city in southern Japan, earning a living from breeding pigs and chickens, he recalls.

At the age of 16, he emigrated to the US to learn English and eventually to gain a degree in business studies from the University of California. His first business venture, as a student, was the import of used video games from Japan. He moved on to develop a pocket electronic translator, with the help of a university professor, which they sold to Sharp, the Japanese electronics group.

From those two ventures, Son earned the start-up capital to found his own company. He spent 18 months, after his return to Japan in 1979, making up his mind what would be the highest long term growth sector in the long term.

Software distribution, he decided, was the answer. At that stage, personal computers were in their infancy in Japan and the big retailers ill informed about this new market; an ideal environment for an aggressive start-up. After one or two false starts Son started to pick up dealership contracts so that his company now supplies 50 per cent of all personal computer software sold in Japan, to 15,000 stores.

Since joining the OTC last year, Softbank's share price has more than doubled, after adjusting for share splits, from Y9,642 to Y23,900, the second best performer on the market, at which level it stands at a breathtaking 165 times prospective earnings. At that level, Son's 61.2 per cent direct and indirect stake is valued at Y465.8n.

During that time, he has launched an aggressive US acquisition campaign, using the flotation proceeds to pay $202m for Ziff-Davis's trade show division, followed by $800m early this year for the computer exhibition unit of Interface, a US trade show group.

Recurring profits – before tax and extraordinary items – more than doubled in the five years to 1993. The latest acquisitions will help profits of Y4.69bn in the year to last March roughly to double again to Y9.5bn in the current year, on turnover up from Y96.4bn to Y135bn, according to Softbank's forecasts.

The question that equity analysts in Tokyo are asking themselves is whether Softbank, like other much larger Japanese investors in the US, might be over-reaching itself.

A growing number of analysts feel the company has given insufficient detail on how it has funded its takeover spree. This risk, argues Colin Mills, an analyst at SBC Warburg in Tokyo, is not fully reflected in its share price.

Softbank officials decline to discuss Son's latest ambitious bid. But, they say, all will be revealed when, or if, he pulls it off.

FT GUIDE TO
THE UK GAS MARKET

Last week the UK's gas industry regulator warned that £40bn worth of British Gas long-term supply contracts with North Sea producers could be a financial time bomb. At the heart of the dispute are "take or pay" contracts. What are they?

"Take or pay" contracts are a legacy from the days when British Gas was the sole buyer and supplier of gas in Britain. Under them, British Gas agreed to buy gas at a set price from North Sea producers even if not needed.

Why would it do that?

During the early stages of North Sea development, gas producers wanted assurances of a long-term market before they risked massive investments to develop individual gas fields. As a monopoly, British Gas wanted long-term security of supply, so "take or pay" contracts suited both parties.

If both sides wanted them why are they now a problem?

The problem has arisen because circumstances have changed radically. British Gas is no longer a monopoly buyer or seller of gas in Britain, and it no longer needs about a quarter of the gas that it is committed to buying. Over the past few years it has seen its share of the commercial and industrial markets now open to competition fall to just over a third.

This year's good weather, and the addition of several new gas fields coming onstream, has exacerbated the problem. The surplus has helped drive down wholesale gas prices, which were already under pressure from growing competition. Current spot prices are 7p-9p a therm, yet British Gas must pay the producers an average of about 20p a therm.

What does British Gas want the producers to do?

To renegotiate the contracts.

Have any agreed to do so?

No. Informal talks have taken place, but producers are in no hurry to begin detailed negotiations. "Why should we tear up perfectly legal contracts," they ask, "just because British Gas is finding it hard to compete in a liberalised market?"

The producers, many of them subsidiaries of big international oil companies, say British Gas did not want to renegotiate the contracts several years ago when gas prices were rising. Many also remember the treatment they received during contract negotiations when British Gas was the sole buyer. "It was not so much take or pay as take it or leave it," said one producer.

What will British Gas do if producers refuse to renegotiate?

It declines to say formally. It has already investigated the possibility of suing the government, which it claims created the problem by bringing forward the date for introducing competition into the residential gas market from 2002 to 1998. But the company has been told that there are no legal grounds for doing so.

Another option may be to renege on the contracts. Then the issue would have to go to the courts for settlement. Some observers believe such an action by British Gas could trigger direct intervention by the government, although ministers are distinctly reluctant to become directly involved in the dispute.

Have similar problems arisen in other countries with a liberalised gas market?

Yes, but not in Europe, where national monopolies are still the rule. Deregulation of the natural gas transmission system in the US led to court cases and company bankruptcies. In Canada the government intervened and brokered a compromise.

Could the dispute threaten plans to open the residential market to competition?

Possibly. Some observers believe that may be why Ms Clare Spottiswoode, the gas regulator, chose to air her controversial views on the issue last week. Postponing the 1998 competition date would enable British Gas to retain its residential monopoly, which absorbs about two-thirds of its gas. But the government and the regulator say they are determined to see competition introduced on schedule.

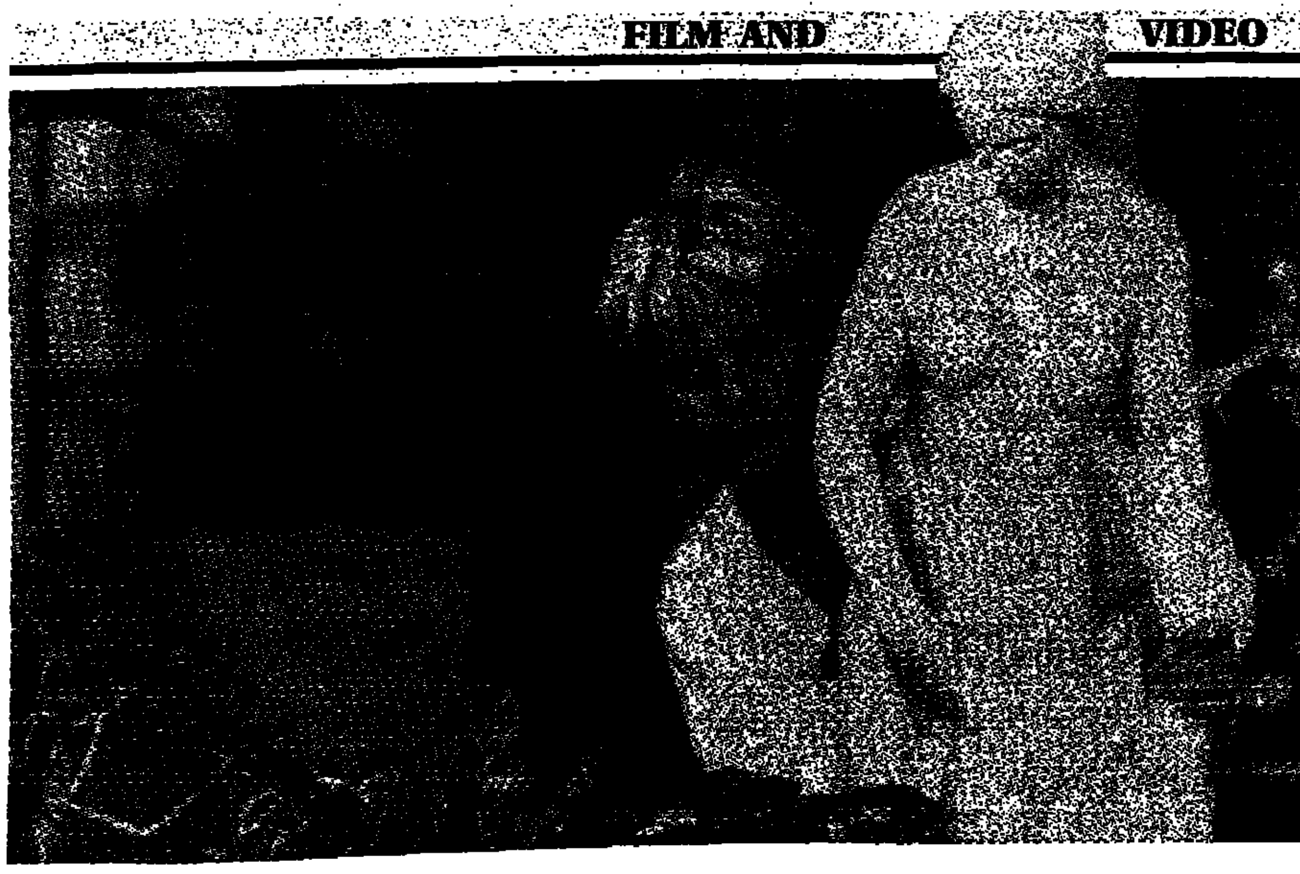
Has any good come from competition in the gas industry?

Yes, it has lowered industrial prices. Prices for domestic consumers may fall by 10 per cent and perhaps more when consumer choice is extended into the residential sector.

As Ms Spottiswoode said last week: "The obverse of British Gas's [financial] pain is that consumers will pay less."

Robert Corzine

FILM AND VIDEO



The romantic comedy *French Kiss* and the submarine thriller *Crimson Tide* both ask the same question. When should you come up for air?

The first film's title activity needs large supplies of oxygen, as we know, and they are inhaled here by Meg Ryan (pictured left) and Kevin Kline as the American and Frenchman falling in love in tourist Paree. Pretty accents and scenery abound, but one more rewrite might have improved the whimsical script.

Crimson Tide is a crackling tale of deep-water hostility between nuclear submarine captain Gene Hackman, who favours blowing up the world, and second-in-command Denzel Washington, who doesn't. Britain's Tony Scott directs like a man possessed. No submarine has so many nooks for weird camera angles, so many mysteriously sourced coloured lights. But the film moves so fast and is acted so well we hardly care.

Such virtues are in short supply in *Jade*. Joe *Basic Instinct* Eszterhas scripted, and David Caruso stars in, this lavish thriller spun around sex and murder in Los Angeles high society. It resembles an airport bestseller that should have stayed, like its deranged post-coital characters, between soft covers.

On video pick of the week is *Fresh*: a moody, ingenious Los Angeles-set thriller about chess, drug-dealing and the survival of a twelve-year-old black boy.

From Thursday there is the London Film Festival. Hundreds of films and a million options on what cinematic routing to take.

My advice: go to Taiwan and Hong Kong; take in Chabrol and Antonioni on the way; pass through American Independents (Haynes, Araki); then back to Britain to find new directors flexing their talents.

Nigel Andrews

Lawrence Otis Graham tells **Richard Waters** his views on racial discrimination in the US workplace

Life in the black middle class

In the mostly white and very affluent suburb of Greenwich, Connecticut, a stunt pulled three years ago by Lawrence Otis Graham still prompts antagonism.

It is a town that a large part of the east coast's corporate elite calls home. Graham, a black corporate lawyer from White Plains, another prosperous suburb to the north of New York city, took a job there as a busboy at the Greenwich Country Club.

His painstaking account of the minor indignities and everyday slights he encountered became a magazine cover story. It hardly ranks as a searing expose of racism; but in this prosperous corner of the north east, his detailing of the casual and unconscious racism of the club's white members struck a nerve.

Greenwich's racial credentials have taken other knocks since – most recently when four local students planted a message of racial hatred in that icon of American culture, their High School Yearbook.

And Graham, for his part, has gone on to other stunts. Among them was a rating of 10 of New York's best restaurants based on their treatment of blacks. (La Grenouille and the Russian Tea Room came out best; at The Water Club, on the East River, one fellow patron handed him a valet parking ticket and another his wife's coat.)

Graham's accounts of the indignities suffered by an Ivy league-educated, upper-middle class professional provoke mixed reactions from other blacks. What right does a man in his position have to complain about racism – particularly when he has had his nose surgically straightened, an act which he says is seen by many blacks as an act of betrayal?

Graham's observations about life in the black middle classes, though – and about how well or badly US companies are doing in nurturing black and other minority managers – have enabled him to carve out a place in the wider national debate about race.

The Princeton- and Harvard-educated lawyer says that affirmative action, the US's 30-year experiment with trying to reverse racial discrimination, has had a debilitating effect on companies. "Whites are beginning to say, 'What are we apologising for?' Race relations, in business and in society, have been defined as a zero sum game – if it is good for blacks, it must be bad for whites."

He adds: "There is a tremendous backlash against blacks in the workplace – and the O.J. Simpson verdict will make it worse."

Graham is not the only one to suggest that the racial tolerance and diversity for which many US companies have been striving since the 1960s could be threatened.

The jubilant reaction among many blacks to the O.J. Simpson verdict, and Louis Farrakhan's Million Man March this month in Washington, have left many white Americans feeling suspicious and betrayed. Rosemary Moss Kanter, a Harvard Business School professor, says the backlash is unlikely to be felt directly among the professional classes. But she adds: "We may see more of it in those sorts of jobs where workers feel neglected, underpaid, competing for scarce jobs." Kanter does not rule out a slide back towards the factory-floor fights that once marred working life in cities like Detroit.

According to Graham, who conducted a two-year study of racial diversity in US companies for a recent book, many of the initiatives launched by companies in the 1960s have taken root. Consumer products companies, in particular, have been driven by a need to understand their diverse customers better to bring in more blacks, women and other minorities.

Until now, though, too few have been successful in nurturing the careers of minorities who could become the next generation of senior managers. And they have left the few black executives who have been promoted to a senior level isolated, using them too often to assuage corporate guilt or act as figureheads for outside consumption.

Ted Hardin

No joke: Lawrence Otis Graham, an Ivy league-educated lawyer who posed as a busboy in a prosperous, white suburb

In his latest book*, Graham calls this the "Head Nigger in Charge" syndrome: a lone, high-ranking executive will often choose to accept the role imposed on them, rather than use their position to further the interests of others of their race.

His nine caricatures of such executives range from the "informant" (too eager to prove their loyalty to white bosses) and the "rubber stamp" (used by managers to clear decisions that they fear may appear anit-black) to the "self-flagellating basket case" (someone who internalises any racial hatred they have encountered).

Not all black executives conform to these stereotypes. Besides Reginald Lewis, the former head of Beatrice who died two years ago at the age of 50, Graham singles out three senior black executives who have worked hard to use their experience to help more junior black executives: Kenneth Chenault, the executive in charge of American Express's cards business, Barry Rand, head of marketing at Xerox, and Roy Roberts, head of General Motors' truck division. (In an act that provides a faint echo to Graham's recent stunt, Jack Smith, now chief executive of General Motors, once resigned from a country club outside Detroit that would not accept Roberts as a member.)

Many companies have failed to nurture their minority executives because, inevitably, white managers feel more comfortable with other whites, says Graham. "People want to mentor people who remind them of themselves." That deprives blacks of the informal guidance and protection that comes from having a senior executive looking out for their interests.

One answer – used by companies such as Xerox – has been to appoint black mentors formally, and to run black caucus groups through which informal networks can be developed.

Does this amount to an argument for more segregation – the separatist message of a Farrakhan? Not according to Graham, though he adds: "It's the only way we're going to succeed. It's the way prior groups have succeeded. People sought out other people who were similar to them."

Kanter – whose most recent book, World Class, includes a discussion of how businesspeople in Miami have fought to overcome the city's racial and ethnic divisions – agrees that initiatives being taken by many businesses will counter the separatist tensions.

"There may be tensions at the national level. We may slide back a bit," she says. "But at the local level, people are concerned about bridging these gaps."

In the meantime, Graham is not about to let his message be lost on a white suburb like Greenwich. "People forget how much business is conducted on the golf course and in the country club," he says.

**Member of the Club: Reflections on Life in a Racially Polarised World. Harper Collins, $25.*

Guidelines for best practice

Mark Suzman on the launch of a UK programme to combat racism

For most businesses in Britain, dealing with ethnic minorities has been an issue that, if looked at at all, focuses primarily on trying to end racial discrimination in hiring practices. The motivation for such initiatives, moreover, traditionally arises from the desire (prompted in part by anti-discrimination legislation) to combat racism in the workplace.

Last week, however, saw the launch of a new national programme, Race for Opportunity, that will seek to persuade British companies that it is in their economic self-interest to become more involved with, and aware of, ethnic minority issues not only in hiring, but in areas such as purchasing and marketing.

To back up its claims, the group has commissioned research from Midland Bank which shows that, by the early part of the next century, 10 per cent of the British population and 20 per cent of the workforce will be from an ethnic minority group. The research also demonstrates that, overall, minority groups are more likely to be better educated than whites, and suggests that ethnic minority businesses, while small in both number and size, are largely entrepreneurial and growing rapidly.

As Robert Ayling, group managing director of British Airways and chairman of Race for Opportunity, points out, such statistics suggest that a co-ordinated ethnic minority programme in businesses, fully embraced by senior management, will not only help fight racism but should also lead to significant bottom-line results.

"We have great untapped resources here at home among Britain's ethnic minority communities," he notes. "Race for Opportunity sets a framework for businesses wanting to reach out to ethnic minority communities, whether as potential employees, as customers, as business partners or as community and education groups which they support."

To encourage this process, the group has published a set of guidelines on best business practice in dealing with ethnic minorities, comprising a wide range of recommendations on how to integrate ethnic diversity programmes into the mainstream of management.

Some of the suggestions, such as establishing a comprehensive strategic diversity policy for employees, have already been embraced by many companies. But as Cecelia Joseph, Race for Opportunity's director, argues, it is the other two areas that are relatively under-exploited by British businesses, with very few companies currently making any attempt to cater for the particular needs or preferences of minority customers.

"Ensuring that cultural and linguistic diversity in the customer base is properly recognised in advertising, promotional literature and products can boost sales," she says, citing the success of WH Smith's recent launch of a set of minority-targeted cards.

The area of purchasing has even greater potential. "Ethnic minority businesses traditionally do quite well within their own communities, but suffer from a lack of management skills, limited funding and poor location which have historically curtailed business growth outside those areas," Joseph notes.

To combat this, the guidelines call on companies to target explicitly minority-owned businesses for potential supply contracts. "We're not asking companies to accept second-best," Joseph emphasises. "We're just suggesting that they give minority businesses a chance."

The message is starting to get through. Already 18 leading companies, ranging from Boots to McDonald's, have signed up for the programme and more are expected to follow shortly. Observes Norma Treasure-Garwood, chief executive of the Birmingham-based Imani venture, which places graduates from ethnic minority backgrounds with companies: "The opportunity is there if we can provide the framework of support, guidance and authority". Race for Opportunity's supporters intend it to do just that.

Guidelines for Business, Race for Opportunity, 8 Stratton Street, London W1X 6AH. Tel 0171 629-1600.

Learning to read between the lines

ADRIAN FURNHAM

The puzzle about the net book agreement (NBA) is why it took so long to die. This cosy cartel of oligopolistic interests has at last acknowledged the market forces message. Apologists for this indefensible position claim it will mean the end of small bookshops. Before weeping too many crocodile tears, try visiting Boston in the US where the small bookstores thrive without the NBA.

Defenders claim fewer books will be published, the less "commercial" never reaching the printing press. Maybe that is no bad thing and the selection of the fittest (most read-worthy) will occur before the destruction of the forests.

On the other hand, rejoicers at the end of this price-fixing system claim it must be better for the customer – cheaper books and real competition.

A new argument from the defence goes: "If we now have a free market with no exception, books will be subject to VAT." The bamboozling bogey-men now cry "a tax on reading" or "a tax on knowledge" to frighten the fence-sitter on this issue. Of course this does not follow and is not an automatic consequence of the end of the NBA. Indeed, it is possible to argue that the NBA was the tax on reading, not its removal. Check the cost of the same British-published book in London and in the US and the answer is clear.

In business to keep your head while all about you are losing theirs means you haven't understood the problem. But to be impervious to the overtures of a serious headhunter is foolhardy.

A friend in executive search reports a strong, positive, perhaps paradoxical correlation between seniority of targets and ease of approach. The closer you get to the top of the FT-SE 100, the more clued-in and helpful the secretary and the more charming and polite the contact.

Headhunter codes are understood; calls promptly returned; home numbers freely given. A director of a leading bank even appears to answer his own phone (surely a sign of our delayered times).

Isn't this Darwinian selection at work? You can't be head-hunted for a senior position if you don't return "personal" calls from people you've never heard of, or if you won't speak to callers unless your secretary/PA has grilled them first. And only the less successful will ask their PA's to inquire "He hasn't heard of you – what's it about?"

Moral: if you want opportunity to knock, it's best not to have a sound-proof door.

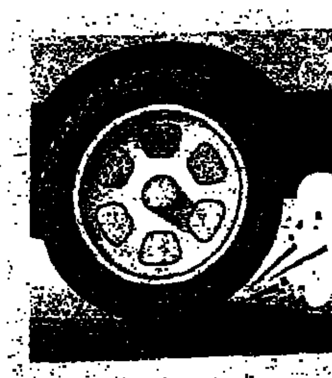
The metric of incomprehensible, jargonistic, gobbledygook is the fog test. How does it work? Find a passage of about 100 words ending in a full stop. Find average sentence length by dividing number of sentences by 100. Excluding proper nouns, very common words (photocopying), verbs with added endings, count all long, three syllable words. Add sentence length and long word score together and then multiply by 0.4.

Using this metric, a typical Wordsworth poem scores about 6, and a passage of Kingley Amis about 11. Times leaders tend to be a bit foggy, rising to 15, but there is nothing like an EU directive, insurance policy form or computer manual for a real pea-souper. But let's not assume because there is fog across the Channel that all Europe is isolated. We have heard of "jobsworth" awards given to pedantic and unhelpful people not prepared to put themselves out because "It's not worth me job, mate".

How about a "foghorn" prize for those detecting the densest fog?

One of the consistent findings from organisational development research is the evidence of the transition curve. What this shows is that any organisation involved in leading structural and/or cultural change tends to go through a very specific and predictable pattern sometimes called the U Curve. At first, employees suffer shock and surprise, quickly followed by a helpless sort of depression. Thereafter, there is mobilisation of the forces against the change agents or, indeed, anyone in the line of fire. Scapegoating individuals, as well as all the other organisational signs of stress – accidents, absenteeism, industrial action, and Luddism – occur in this phase. The bigger and the longer the change programme, the more intense this phase.

British prisons seem to be in the process of such a change. The transition curve would predict that it is about now that anger, despondency and scapegoating would be at its maximum. The literature says what the organisation needs most at this point is continuity of leadership, not more change, otherwise the downward cycle will be repeated. Our home secretary may well have acted in haste and exacerbated rather than improved the problem.



FAST TRACK

Genset

Amid the inevitable collection of high-technology companies seeking entry to France's new stockmarket for fast-growing companies due to open next February, a rather different type of business stands out very clearly.

Tucked away in the 11th arrondissement of Paris, with laboratories just outside the city and offices in San Diego and Tokyo, Genset is tackling a burgeoning subject on the borders of academia and business: human genetics.

Founded in 1989 after a chance meeting between Marc Vasseur, a professor at Paris 7 University, and Pascal Brandys, a venture capitalist, it now claims to be one of the world leaders in the science of bioinformatics.

One division of the business specialises in the large-scale production of DNA molecules, at a rate of some 1,000 a day, to consistent quality using a method of synthesis patented by the company.

Most orders go to research laboratories in the US, France, Japan, the UK and Germany – and most requests are received via the Internet.

The second activity does just the reverse, as Brandys puts it: breaking down human DNA to analyse its constituent parts – 1m of them each day out of a total of some 3bn. In combination with the Généthon genome research centre, Genset is attempting to map the "promoter" sequences which determine whether genes in a particular DNA molecule are active or not.

The aim is to establish alliances with pharmaceutical companies; they will exploit its analyses in the development of new drugs – on which Genset will claim royalties. It may also attempt to develop certain products on its own.

The company now has 130 staff, including about 70 who work on research and development, and will have invested FFr60m ($7.8m) this year alone. If its current plans to raise FFr250m on the stock market go ahead, it expects to be employing 250 staff within the next two years.

Such short-term timescales are important for the group, especially in its mapping project.

"There is really a worldwide race," says Brandys. "The next two years will be absolutely critical."

The company has attracted investors' money to the tune of FFr149m in three rounds of investment up to now, and Brandys says that there has been a compound internal rate of return of 50 per cent a year. But while turnover has risen steadily and is likely to exceed FFr30m this year, he predicts losses continuing until 1997.

He is confident that Genset will prove attractive to new investors for two reasons. First, because he says there are just two other companies in the world carrying out the same work, and there is "much more demand than we can meet".

Second, he argues that the payments made by pharmaceutical companies simply to access the company's genome maps will provide a good return, even before the potentially vast amounts it could make in alliances and developing its own products.

"We are at a very rare time at the beginning of a new industry," says Brandys.

"I don't know how it will be structured, but I am sure we will be part of it."

Andrew

BUSINESS EDUCATION

Women in Yorkshire are being trained to step into management roles, says **Della Bradshaw**

Better chance of a fair share

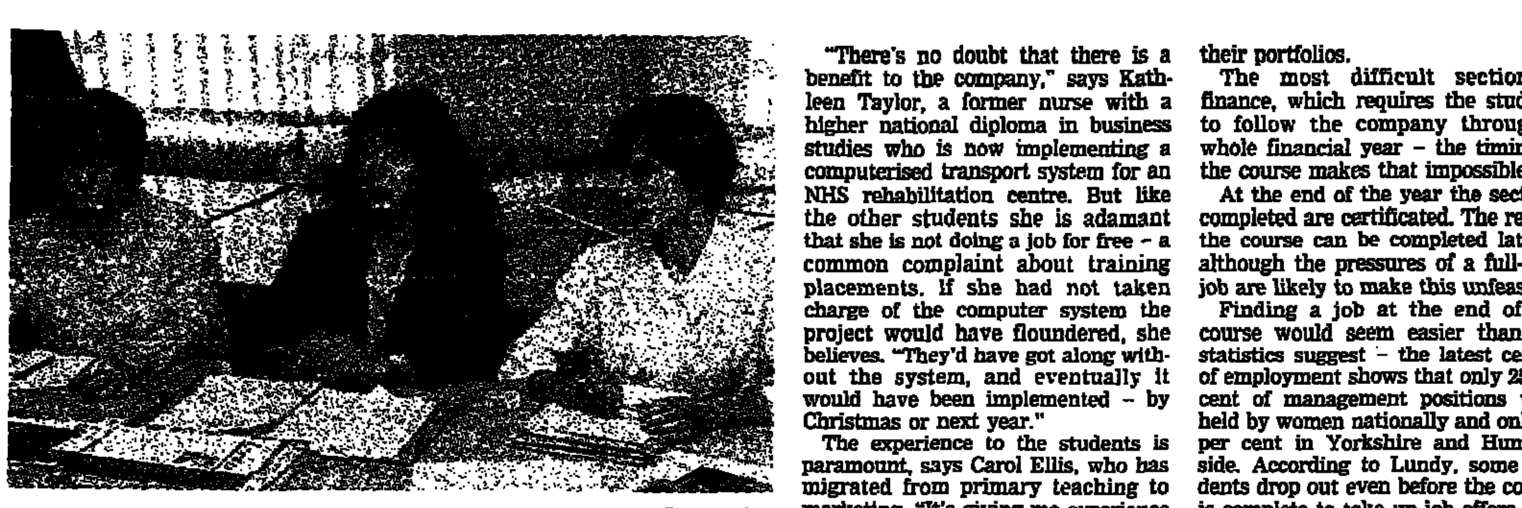
Managers in the north of England are reputed to be brash, bluff and, above all, male. The problem for potential women managers is that the actual still appears to live up to the stereotype.

So much so that the European Social Fund, in conjunction with Calderdale and Kirklees Training and Enterprise council, is trying to redress the balance by funding management courses in Yorkshire specifically for women.

At the University of Huddersfield every Wednesday morning, the 11 women on the Women into Management course meet to discuss coursework, strategy and information they have gleaned on their industry placements, which comprise the best part of the course. Some are planning to return to work after raising a family, others are simply looking for a new route through the "glass ceiling" or want a change of career.

"I knew I wanted to do something I really believed in. I didn't want to do something just to turn the wheel," says Sally Goodwin. A former further education lecturer in Esol (English to speakers of other languages), Goodwin's job placement is with Oxfam in Bradford. Her role involves organising fund-raising concerts and tin collections and recruiting volunteers.

"I'd really like to get into charities. I think it's wonderful," she concludes.



Trevor Humphries

Kathleen Taylor, Sheri Avery and Joyce Fox consider their management options

The job placements cover an eclectic range of industries and institutions, directly reflecting the interests of the women involved. One is working in the information technology centre of Bretton Hall, part of the University of Leeds, while another is wrestling with how to implement the ISO 9000 standard for the procedures within the University of Huddersfield. Two have moved into marketing, one into training, one into printing and others into charity work.

The placement has to be right for both the trainee and the company, says Sue Lundy, training co-ordinator, and often involves the women coming up with the idea of where they would like to work. "They are all self-motivated. This course is not for the faint-hearted," she says.

This is the second such course and a third is planned. Although Lundy found difficulty in finding work placements for women from mixed courses, she believes the students from the two women-only courses have proved their worth in the local community and so it is becoming progressively easier to find placements. "If any of these women came along to you for an interview you'd say 'Yes, I can do something with her'."

"There's no doubt that there is a benefit to the company," says Kathleen Taylor, a former nurse with a higher national diploma in business studies who is now implementing a computerised transport system for an NHS rehabilitation centre. But like the other students she is adamant that she is not doing a job for free – a common complaint about training placements. If she had not taken charge of the computer system the project would have floundered, she believes. "They'd have got along without the system, and eventually it would have been implemented – by Christmas or next year."

The experience to the students is paramount, says Carol Ellis, who has migrated from primary teaching to marketing. "It's giving me experience that no one would pay me to get."

The course is intended to give the students, all of whom have a university degree or equivalent qualifications or experience, the required expertise to complete the NVQ4 (national vocational qualification 4) Certificate in Management.

The certificate requires the participants to demonstrate that they have completed nine units of competence in four key areas – people, finance, operations and information. Most of the students think they will be lucky if they can document five of the nine units by the end of the year, although they can rely on previous experience – accredited prior learning – to swell their portfolios.

The most difficult section is finance, which requires the students to follow the company through a whole financial year – the timing of the course makes that impossible.

At the end of the year the sections completed are certificated. The rest of the course can be completed later – although the pressures of a full-time job are likely to make this unfeasible.

Finding a job at the end of the course would seem easier than the statistics suggest – the latest census of employment shows that only 25 per cent of management positions were held by women nationally and only 22 per cent in Yorkshire and Humberside. According to Lundy, some students drop out even before the course is complete to take up job offers.

Getting a job that is suitable, however, could still prove difficult, concedes Joyce Fox, who has three children under five. "I am prepared to do the work, but it has to be flexible."

The students believe the course is characterised by a mutual help ethos which would be difficult to foster in a mixed or all-male group. One of the marketing specialists, Sheri Avery, is assisting another colleague to draw up a marketing plan, for example. Another is helping those who are not computer-literate to master the information systems. "The group as a whole is quite good at setting up contacts," says Taylor. "We look after each other."

NEWS FROM CAMPUS

Triple bonus to promote technology

Companies in the UK which want to promote technology management skills can now apply to the Department of Trade and Industry for scholarships to send their employees back to school.

Each company can apply for three scholarships of £2,500 each to send employees on five, one-week university courses in subjects such as software development and corporate strategy. The applications are administered by the Jupiter Consortium.

Jupiter: UK, (0)181 977 9033.

Bankers opt for mobility

The changing face of the high street bank, with increased mobility among the workforce, has persuaded the Chartered Institute of Bankers to adapt its professional qualification into an honours degree.

From next autumn anyone studying for the CIB's associateship will automatically be awarded a degree from Umist, in Manchester. The degree involves four years' part-time study – the same as the associateship. Existing bankers will be encouraged to "top up" their qualifications to a degree.

CIB: UK, (0)171 623 3531.

Lotus blossoms in Tennessee

The University of Tennessee's business school has spearheaded the move to adopt Lotus Notes, fom the Lotus Development Corporation, to establish a consistent messaging environment on the campus. The university will equip 30,000 personal computers with the package to improve communications between academics, students and businesses to reduce the need for meetings.

UT: US, 615 974 5061.

Carsberg opens account at LBS

Sir Bryan Carsberg, secretary general of the International Accounting Standards Committee and former director general of the Office of Fair Trading, has been appointed as visiting professor of accounting at London Business School.

LBS: UK, (0)171262 5050.

BUSINESS EDUCATION

CONFERENCES & EXHIBITIONS

BUSINESS TRAVEL

Tube strike hopes

Hopes of averting a 48-hour Tube strike in London rose after management met the RMT rail union last week to talk about working conditions. The RMT has called a strike from noon on Tuesday November 7 until noon on November 9 over its claim for a 6 per cent p y rise. Other tube unions have already settled for 3 per cent.

London Transport believes it can run more than the 60 per cent of trains it has during the previous RMT stoppages.

And so to bed

Following British Airways' announcement that it is to begin providing wood-panelled cubicles for first class passengers, Airbus Industrie has suggested to airlines that they begin installing bedrooms in their cargo holds. **Michael Skapinker writes.**

BA rejected the idea of beds in the cargo hold, saying passengers would find them too claustrophobic. Instead, the BA cubicles have seats which recline fully to become beds.

Airbus argues, however, that airlines which adopt this approach have to reduce the number of first class seats they offer.

Its solution means the number of seats can remain the same. Airbus proposes creating five compartments, each with two bunks, in the hold, linked to the main cabin by a staircase.

The compartments, which could be installed in A330 or A340 aircraft, would have audio and video facilities and reading lights.

The compartments could either be installed in new aircraft or built in the cargo holds of older models.

Passengers would sit in their seats in the main cabin for take-off and landing before retiring downstairs. The compartments could also be converted into offices.

East Europe plans

British Midland, the privately owned UK airline, which is starting daily flights to Prague, plans to expand further into eastern Europe, but significant regulatory problems have to be overcome first, managing director Austin Reid said last week.

He called on the Czech government to allow it a second daily flight to match its competitors on the fast-growing route, British Airways and the Czech national carrier Ceskoslovenske Aerolinie.

● Cathay Pacific, the Hong Kong carrier, is to increase flights to Toronto, Auckland and Johannesburg.

Bangkok floods

Flooding that already has clogged major roads in Bangkok is expected to worsen in the next few days, officials warned last week.

Roads in the Thai capital were inundated Wednesday morning after local residents destroyed sand-bag embankments that they believed were worsening flooding around their houses. Another cause of the flooding was the tides, which pushed up the level of the Chao Phraya river last week.

Central Bangkok and its main business districts have remained mostly unaffected by serious flooding.

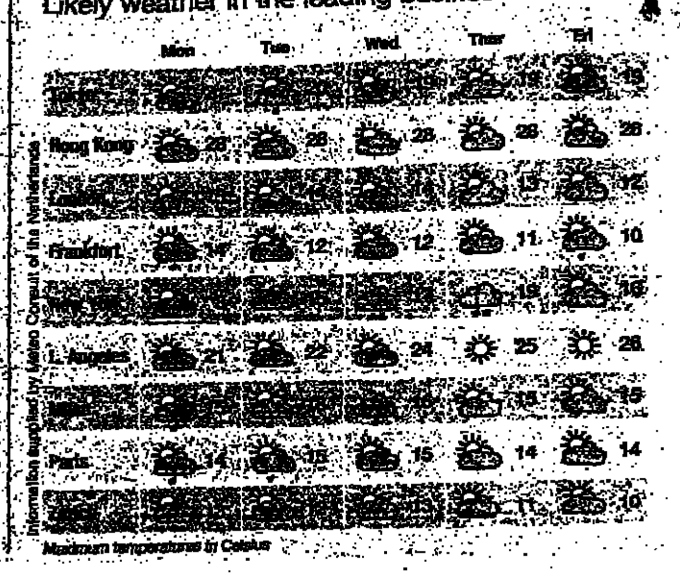
City winners

Singapore has overtaken Hong Kong to top Fortune magazine's 1995 list of best cities for business, backed by its geographic setting, skilled workforce and selective immigration policy, the magazine said.

Hong Kong has fallen to sixth place. The San Francisco Bay area was second, followed by London, New York and Frankfurt.

The rankings were based on a survey of executives and economic development experts worldwide conducted by Fortune magazine and consulting firm Arthur Andersen.

Likely weather in the leading business centres



Not all business trips are short – you may find yourself having to relocate. **Richard Donkin** offers advice for those staying on

How to be a smart mover

It was just another meeting until the managing director leaned over and asked: "How would you like to see the pyramids . . . every day? We're establishing an office in Cairo and I want you to run it."

It doesn't always happen like this. You might have been hankering after a foreign posting, or a spell abroad could be expected for those who want to progress.

The foreign posting used to be fairly straightforward. The company did everything, from finding a boarding school for the children to organising a house with servants and sports club at the other end.

Today, however, because of the costs of sending an individual overseas – easily two or three times the cost of a home employee – many companies are cutting their contributions.

Mr Phil Turner, a senior consultant at Employment Conditions Abroad, which supplies data on overseas living costs and employment packages, says: "The time to identify questions is before you are offered the job and not when you have accepted."

So what do you need to know? Here is a checklist.

● Salary: You will be presented with a package, typically including a notional home-country salary plus an amount to cover extra living costs. It is important to understand the various elements of pay and costs and how they match up abroad. Who pays the income tax? If it is the individual it may be more than the home rate. Or there may be no tax at all, as in the Gulf states.

The tax position is more grey in some countries – either the authorities are lax about collecting tax or they do not pay too much attention to salaries. In these cases it is not untypical for a salary to be paid into an offshore account and an amount to cover living costs paid as "salary" to the employee. The danger here is that some countries, such as India, have become wise to such practices and companies that persist with this without declaring the full salary can risk penalties.

This system is still normal, however, where foreign exchange controls make repatriation of savings difficult.

● Social security and pension arrangements: There are restrictions over how long a UK citizen living abroad can stay in a company pension fund but the Inland Revenue tends to be reasonably liberal in this area. It is important, both for pension arrangements and your salary position upon return, to make sure that your notional home salary will grow in line with those at home.

● Cost of living: Data is collected by consultancies such as ECA, a trade organisation which supplies information to subscribing client companies, but it does not provide a service for individuals. You can

With pets, ask yourself: are you going to a place where dogs and cats are eaten?

be reasonably sure that your manager or personnel department will have such information. If they refuse to share it you might ask yourself why.

● Schools: Some companies still pay boarding school fees or, since boarding is less fashionable than it was, fees for schools abroad. You must decide whether you want your children to be taught in the system they are used to or whether you want to send them to a local school.

● Spouses: even though the term is used for political correctness, in most cases the spouse is still a wife. The difference today is that the wife might have a job just as good, or better, than that of the husband. Some companies may try to find work for a partner in the new country, although this is unusual.

● Domestic staff: You may have been used to paying a cleaner at home. In some foreign postings you might have a small army of staff. In India it is not unusual to have a driver, a cook, a cleaner, two security guards and a gardener.

You may have legal obligation to pay their medical bills. There is a moral obligation too. If their child needs to marry or falls ill or if they get into debt, you might be expected to help.

● Clubs: The employer may pay the membership costs of a local sports and social club, particularly if you can argue a business case – that all your contacts will be there.

● Housing: The secret is to have the ideal rental property and a good estate agent. Big conglomerates pay well to house their people in a new property with all modern conveniences. Renting agents are fastidious about the condition of the property. The smallest paint chip must be rectified.

● Health: In some countries it's sensible to have a bag of plasma on hand. Where you contract something dodgy in remote parts the standard advice is to get on a plane home. In some countries, such as Russia, you may have to show an "Aids free" certificate at immigration.

● Pets: Ask yourself: are you going to a place where dogs and cats are eaten?

● Travel: "Look and see" visits are often allowed beforehand. Many employers also pay for a trip home once a year. In countries with import restrictions there may be a limited choice of cars.

● Culture: This can be a real source of anxiety, and even lead to the failure of an assignment in some cases. Understanding the postal system, how to write cheques or how to open an orange juice carton may seem trivial problems but collectively they can send some expatriates rushing for the analyst's couch.

A tip from one old stager is to "live like a local. If you go there and stay in a small enclave of your own nationals you might as well not bother."

Make room for a fair approach to women

"Stop ignoring us" sounds like a plea from a minority group. But women ranging from a medical charity director to insurance executives last week sent a clear message to airlines, hotels and car hire companies.

At a conference on women business travellers, they complained about their treatment by the travel industry. "Don't assume I'm a secretary," said one. Another added: "All staff should assume all single women to be VIPs."

According to a survey by Chambers Travel, a corporate travel agency, more than a third of UK business travellers are female. Most women travellers believe advertising is aimed at men, and 45 per cent said airline cabin staff pay better attention to men.

It is often small details, particularly on airlines, that cause irritation. "I'm short! I can't reach footrests," complained one executive.

Hotels were another subject of complaints. Stories were told of male guests automatically being presented with bills for meals, and of women being made to feel uncomfortable in bars or obliged to retreat to their rooms for a lonely meal. Some 84 per cent of those taking part in the survey said they generally chose room service over a meal in the restaurant.

Hotels have made efforts to meet these complaints. Measures range from clotheslines and detergents in rooms to "security" floors. "But women say they don't want these," says Valerie Ferguson, general manager of the Ritz-Carlton hotel in Atlanta. Just 32 per cent want women-only floors on hotels – and many believe they would actually be a security risk.

Security is a big factor. In hotels, 78 per cent want confidential room number allocation. "I don't want the reception staff shouting out my room number to the whole hotel," said one woman at the meeting. Many said car hire companies were a particular concern: 89 per cent want to be able to hire cars with telephones or security alarms, while others highlighted the problems of returning cars to remote, dark places late at night.

Another problem is loneliness. Organisations such as the City Women's Network, and its worldwide partner, International Alliance, can pass on contacts and information; while Global Network, a new organisation, can put you in touch with others going to the same destination.

Ultimately, it is up to individuals. "It's attitude," said one executive. "I was in Milan recently and I went out on my own, had a nice meal in a restaurant – and I didn't take a book to read!" Others agree. "It's being treated as an individual," said one. "Think of yourself as a person, not a woman."

■ *City Women's Network: 01895 272178; Global Network: 0171 72 9565*

Kate Bevan

MEDIA FUTURES

Tim Jackson

Dangers of digging for gold

The fax was short and to the point: "What's wrong with your blasted phone?" it read. "Every time I call you, I hear nothing but a piercing whistle from your fax machine. Ring me back *now*."

That fax and the frosty reception which met my apology prove that beta-testing, or trying out unfinished versions of computer programs, is a hazardous affair.

The program in question, due to be released shortly, was the successor to Delrina – a fax communications package, WinFax Pro. WinCommPro for Windows 95, as the new product is known, takes advantage of the facilities of Microsoft's new operating system, and has new features.

It can print out a report after sending each fax, so the sender has written proof of transmission for any a court of law. It can save phone bills by cutting a third off the sending time of each page. It can send a message to a pager when faxes come in – and can do so selectively, by beeping the owner only after the arrival of faxes from specified people.

The program also provides do-it-yourself voice mail. It can take incoming messages for a single person, but also allow the caller to leave messages for different people by pressing different numbers on the telephone keypad. That is useful for people like me who work from home.

'The fax and the frosty reception proved a simple point: beta-testing, or trying out unfinished versions of computer programs, is a hazardous affair'

I pestered Delrina's London staff to send me a test copy. A few weeks ago, a helpful but reluctant executive brought me a 'beta' version.

The jargon in the computer industry refers to the early, unstable versions of the programs as 'alphas', the complete versions that still contain a few errors as 'betas', and the package that has been designated as ready for release to manufacture, or RTM, as 'golds'.

But there are betas and betas. Whereas in the old days software houses would allow a beta out of the door only if they believed it to be almost perfect, it has today become standard to let outsiders loose on software that is incomplete or non-functioning in some significant way.

That was how it was with this one. The first beta I saw was unable to do anything but send a simple fax – and it would promptly crash afterwards, requiring a restart of the computer. A later beta I installed last week was much better. But the voice-mail bit that had attracted me in the first place still didn't work; instead, incoming calls were picked up and given the fax treatment.

It is no criticism of Delrina to say that I spent a dozen fruitless hours trying to resolve the problem. Doubtless the final version will be as reliable as the company's past products. But on any reasonable valuation of my time, it would have been cheaper to forget the test and buy a new answering machine.

After this experience, it was particularly fascinating to read a feature in *Information Week*, a technology magazine, about the thousands of beta testers in the US who actually like messing about with programs that do not work properly. For many of them, beta testing is a hobby.

But there is a key difference between testing non-functioning software and tinkering with non-functioning cars. While the latter tends to be done at home on Sunday afternoons, plenty of beta testing is done in work time. Testers persuade their company that it is somehow in its interest for them to spend their time in this way.

Yet the paradox of betas is that the tester is doing a favour to the software company, finding bugs that would require hundreds of hours of the time of expensive technical staff – and doing so for nothing. In one celebrated case, the so-called Windows 95 Preview Program, 400,000 people actually paid $30 to Microsoft for the right to try out early versions of the new operating and to send the Seattle software firm error reports. Not only were they unpaid for this work: the testers did not even receive a free version of the real Windows 95. Their betas will self-destruct at the end of 1995.

'It has today become standard to let outsiders loose on software that is incomplete or non-functioning in some significant way'

This month, Netscape Communications has gone one better. The Internet software firm has turned the beta test of its Navigator 2.0 browser into a giant competition, with prizes awarded to those who find faults in the package most quickly. Minor glitches will earn a Netscape T-shirt or a coffee mug; more serious errors – 'show-stoppers' that cause the entire computer to seize up, or security problems that allow hackers to read messages intended to be secret – will be rewarded with hard cash. What testers should not expect is thanks; the company warns that bug reports sent in by e-mail may receive only automated replies.

Crazy? Perhaps. There are few other industries in which a company could expect consumers to trust a product after treating it as an Aunt Sally to be demolished. Effective? Certainly. By giving testers an incentive to take their hobby seriously, Netscape has probably found a way of testing its product tested thoroughly and quickly at low cost. If only I could get that voice mail package to work, I'd participate myself.

Tim Jackson can be reached at Tim.Jackson@pobox.com

Cyber sightings

By Stephen McGookin

● The Energy Information Database (*www.ccn.nl/eii/main.html*), run by the Netherlands Energy Research Foundation, has an excellent range of links to about 150 worldwide energy sources. Straightforward and helpful; no frills – exactly what this kind of database site should be.

● The Municipal Bond Scandals web site (*http://home.navisoft.com/munibond/index.htm*) is a guide to problems affecting the tax-exempt bond industry, by former Smith Barney banker Michael Lissack. Interesting.

● Bank of America's new site (*www.bankamerica.com*) has nice graphics and offers a Money Tip of the Day as well as a range of good informative links. It also features an intriguing "Build Your Own Bank" concept. Worth a browse.

● Strategic Management Group (*www.smginc.com*) is a global business training and management development organisation. Their site has extensive details of seminars and business simulation exercises. Have a look if you're in the personnel or training sector.

● Internet French Property (*www.french-property.co.uk/index.htm*) is a visually pleasant, informative site specialising in farms and houses for sale in France, which features good background information and a price range index for prospective buyers.

● Oops! And after everything we said last week about jumping the gun . . .
Allied Dunbar (*www.allieddunbar.co.uk*) sent out a hugely self-important press release – which actually managed to get its own URL *wrong* – last Wednesday trumpeting the site's ambitious virtues. It turned out to have nothing more than a picture of Marketing Director Jerry Grayburn saying: "I'd really like to stop and show you around but . . . come back at the weekend."
Many companies have yet to realise the concept of negative goodwill – if you ask people to make an effort to seek out your site, you really have to make an effort to give them something worthwhile.
I'm sure that Allied's site is just *nifty* by now though . . .

● Numismatists Online (*www.numismatists.com*) is a nice idea for coin collectors, featuring online rare coin auctions. Easily laid out and well explained for the first-time user, it gives you the chance to practice bidding in a mock auction before diving into the real thing.

● Wasala Communications (*http://wasala.otm.fi/wasala*) is a Finnish marketing and PR firm offering a consultancy service to businesses wanting to export to, invest in or set up in Russia. Straightforward and useful, with an e-mail response for more details.

● Internet Law Review is a monthy paid-for publication available electronically or on hard copy from December. Among other issues, it will cover IT-law and the Internet; commercial security and encryption, using contributors from North America and Europe. Subscription is $220 (£142) a year and details are available from *www.thinck.com/publications.html*
Meanwhile, details of this week's Internet Law Symposium in Seattle are available at *www.discovery.org/ils95*

● San Francisco-based merchant bank Hambrecht & Quist have put up a good site (*www.hamquist.com*), with useful material in the Technology, M&A and venture capital sectors. Nicely laid out and user-friendly.

Stephen McGookin
steve@mcgook.demon.co.uk

Financial Times on the World Wide Web
www.ft.com
or
www.usa.ft.com
Updated daily

Club class on the Internet

Executives have infobahn travel plans, writes **Victoria Griffith**

Kenneth Boyle, a Boston-based physician, has just returned from his first multimedia trip: a jaunt to Cincinnati organised entirely through new software, online services and the Internet.

"I was far better prepared than I've ever been before on a business trip," said Boyle. "I not only knew the address of my hotel, but had a map printed out showing me how to get there. I knew how to get to my business appointment the next day, and I got some pointers on interesting things to see in my spare time."

Business executives are increasingly turning to the infobahn to make travel plans. Only one per cent of airline tickets in the US are booked through the Internet and online services, but the figure is rising fast, say service providers.

About two million online surfers already reserve air tickets or hotels through the information highway, according to CompuServe. Many are business executives. Online service Prodigy says 30 per cent of its travel service users are booking business travel. Most of these were small businessmen who did not have access to a corporate travel agent, said Michael Darcy, spokesman for the group.

Other online services say they have noticed increased demand for cyberspace travel information from companies' in-house travel agencies. New products are flooding the market to meet demand. The online services offer a growing number of travel-orientated sites, offering products like CompuServe's Way to Go, which provides lists of hotels, convention centres and even the location of cash dispensers.

The Official Airline Guide Electronic Edition - OAG - reserves airline tickets and offers information on discount travel packages. Software group DeLorme provides detailed maps of almost every US destination, as well as lists of hotels, restaurants and other places of interest.

Car rental agencies and hotels are also joining the cyberspace travel business. A growing number of services allow users to book rooms and reserve cars online.

One of the most popular ways to book airline seats in cyberspace is through Sabre Interactives' Eaasy Sabre product, which provides information on flights worldwide. Sabre, owned by American Airlines, has joined forces with Worldview Systems on a service - Travelocity - providing information on travel and reservations.

The product will even tell business executives where to find a secretary in Manhattan after midnight, or how to find a translator in Prague.

Travelocity will be available on the Internet and online services CompuServe and Prodigy after March 1996. Sabre will continue to offer some of the features of its old service. You can store a file on Sabre, so that if you are a vegetarian or prefer to sit in an aisle seat, the computer will automatically make a request each time you book, says Darcy. To ensure you get the best deal, Sabre keeps searching for cheaper flights after you have booked.

It may be a while before cyberspace replaces travel agents, however. Although airline reservations are straightforward, most hotel rooms and hire cars cannot be booked through the information highway. Most travellers still have to use the telephone.

Another problem is that, except for air travel, most information is limited to the US. CompuServe has a product called Travel Britain, but the service is not nearly as comprehensive as the US version.

Other countries have been left out of the cyberspace travelnet altogether. And very little information is available in any language other than English.

The international market will grow with time. Given the success they have experienced in the US, multimedia travel services look set to expand rapidly over the next few years.

The FIRST TRAVELLER in CYBERSPACE

Online bank era dawns

By Louise Kehoe

The Security First Network Bank established by Cardinal Bancshares – a small Kentucky savings and loan institution – is the first financial institution to conduct true online banking over the Internet.

SFNB's pioneering effort may influence the growth of Internet banking. Larger financial institutions are watching for clues as to how consumers respond and to see whether the cyberbank can live up to its "Security First" name.

Concerns about Internet security exacerbated by incidents in which supposedly secure software has proven vulnerable – have made banks cautious. SFNB claims to have created a "virtual vault" for each customer account, using a "trusted" computer operating system from Hewlett-Packard, the second largest US computer company, as well as encryption and user authentification software, and firewalls.

"We have overcome the problem that has prevented banks from transacting over the Internet," said James Mahan, SFNB's chairman.

Perhaps cyberbanking's biggest draw is that the SFNB is open 24 hours a day, seven days a week. Customers will be able to conduct standard personal banking tasks such as paying bills, transferring funds from one account to another and checking the balance of an account.

Nor are there queues at the counters in the "virtual lobby" of the SFNB which are staffed by computer renditions of R2D2-style robots (*http://www.sfnb.com*).

But waiting for images to download from the Internet over a modem may persuade users that a bus trip to their local bank is not such a bad idea.

SFNB also faces competition from more than 20 US banks – including Chemical Bank, Wells Fargo and First Interstate that have formed partnerships with Intuit, the leading personal finance software company, to enable users of the popular Quicken program to access information from their accounts and pay bills electronically.

Services offering stock prices, information about mortgages, loans and retirement funds as well as insurance are flourishing.

Some of the most innovative include BankAmerica's new Web site which opened a week ago with an invitation to users to "build your own bank". By filling in a form, users can tailor the information presented to fit their interests.

A student, for example, might be presented with information about obtaining loans for college fees. Someone close to retirement age would automatically be routed to information more relevant to his interests.

One of the largest mortgage lenders in the US, Bank of America, has also chosen to put an emphasis on property purchases at its Web site.

Hyperlinks to real estate firms throughout the US enable users to search through lists of homes for sale and then to link back to the bank in order to apply for financing (*http://www.bankamerica.com*).

Among the biggest attractions of the Internet for consumers, including consumers of financial services, is the ability to "shop around" so as to compare costs and advantages.

The insurance industry is taking this to heart in a new service that goes live today. Insweb will enable consumers to seek quotes from a range of companies and brokers on life, home, car and medical insurance.

The service, established by a group of 25 insurance companies and related organisations, is the first "marketplace" on the Internet for insurance information and commerce.

Insweb plans to enable users to purchase insurance online. In a pilot program next month, residents of the state of Utah will be able to buy car insurance via the Internet (*http://www.insweb.com*).

Quebec sees 'rendezvous virtuel avec l'histoire'

By Stephen McGookin

Whatever the result of today's independence referendum in the Canadian province of Quebec, both sides' arguments have been notable for the way they have been thrashed out in cyberspace.

Quebec, with liberal Ontario and the more conservative cities of the west coast, may be the dominant influences shaping Canada's national political agenda; but the chief concentration of Internet users is found in Halifax, Nova Scotia; an eastern city with several research and technology centres. That may explain why the opinion polls conducted via the Internet seem to be all coming down in favour of a "No" vote; regardless of the closeness of the issue in the real world.

One "quick and dirty" poll put up by Jim Shaw at *www.ontug.org/QandD*, for example, showed a majority of some 75-25 against separation over the weekend. But the best overall referendum information site seems to be at *http://web.idirect.com/ ~evo/quebec95/index.html*, which includes a public news forum and details of the latest polls.

The French-language service of the Canadian Broadcasting Corporation will be posting up-to-the-minute details – "un rendezvous virtuel avec l'histoire" – on its Web site at *www.radio.src.ca/radionet*.

The Comité Pour Oui (*www.quebec oui.org/fr/index.htm*) has a nifty set of biographies of the cause's leading players, including details of groups such as the Network of English-Speaking Quebecers for Yes.

The "Non" grouping (*www.comite-non.qc.ca/english*) lays out its case in a very user-friendly, straightforward way, with a weekly newsletter showing how their cause has been gaining support.

Both sites are bi-lingual.

The officially-sanctioned sites are tame compared to the acerbic debate on the Usenet newsgroups, like *can.politics* or *soc.culture.quebec*.

Contributions range from the panic-stricken – "Our money will be worthless and we'll be forced to speak French" – to the pragmatic, ready with advice for potential refugees from an independent Quebec.

The constitutional issue may be laid to rest by tonight's verdict but the debate promises to continue on the Internet.

Hollow monuments testify to the bloody madness of dictators

I have always felt that visiting the Hayward Gallery is a bit like visiting Hitler's bunker.The sensation became reality last week with the opening of "Art and Power – Europe under the Dictators 1930-45". The sealed concrete shell of the gallery is now filled with the artistic detritus of 15 terrible years of totalitarianism and fascism in in Spain, Italy, Germany and Soviet Russia. It is the thirteenth of the major series of European cultural exhibitions promoted by the Council of Europe and it will be at the Hayward until January 21 1996, when it travels to Barcelona and Berlin.

The contents of this exhibition were built on blood and madness and it is very hard, even 50 years later, to give a cool critical appraisal. It is an exercise that raises more questions than it answers. The one area that is perhaps easier to examine now is the architecture of the four regimes. Certainly the exhibition's researchers have dug deep to represent and explain the dictators' building ambitions. The organisers have focused on three capital cities: Rome, Berlin and Moscow. Spain and the civil war is covered in a more general way.

In the Hayward's dimly lit halls the visitor is confronted with an overview of the Paris International Exhibition of 1937. The French organisers of the world's fair placed the Soviet Russian pavilion opposite the German pavilion, so that communism appeared to confront fascism directly. The German pavilion was designed by Albert Speer. It is a gigantic tower topped by an eagle gripping a swastika. Speer described this monstrous building in his diary as "checking the onslaught of communism".

Hitler, Mussolini and Stalin all saw that architecture could be the physical embodiment of their manic dreams. Stalin appeared to want to bring palaces to the people in an old-fashioned ways: chandeliers and malachite in the Moscow Metro for the people and complete restoration of the Czarist palaces of St Petersburg. Franco bore a sense of the drama of death: his monument. The Valley of the Fallen outside Madrid, is really a terrifying tomb for himself.

The Italian section of the exhibition was by far the best. I suspect this is not simply because of the way it has been selected, ordered and captioned, but because there is much serious artistic and architectural quality in the work.The Italian fascist regime was more tolerant of contemporary art, and artists and architects seem to have been happy to work for the regime.

Mussolini encouraged modern architecture and his two earliest achievements were the new seaside town of Sabaudia and the superb railway station in Florence. But it was Rome that was to preoccupy him because its mere presence lent lustre to his own imperial ambitions. His exploitation of Rome was both damaging and rewarding. His decision to build the Via della Conciliazione leading up to Saint Peter's destroyed a huge slice of the Renaissance quarter between the Vatican and the Tiber while opening up amazing views. The construction of the Via dell'Imperio smothered a section of the Roman forum.

However, the new city EUR (Esposizione Universale di Roma, 1942) to the south of Rome – built in a strange, stripped-down classical style and looking like a de Chirico painting in three dimensions – is far from being an architectural failure. Good architects such as Moretti and Terragni persisted with modern buildings which can be admired today free from their political associations.

Away from the inspiration of Rome, the architecture of Russian communism and the German Third Reich is dead and pointless. Little survives in Germany except the gradiose models and visions of Albert Speer, who did not feel that the brand of Neo-Classicism he devised for Nuremberg and Berlin was in any way totalitarian. He wrote in his diaries. "Rather it was characteristic of its era and left its impression upon Washington, London and Paris as well as Rome, Moscow and our plans for Berlin."

He was wrong because the sheer scale of his plans for Berlin, which he frequently compared in size with the works of the pharaohs of Egypt, depended upon slave labour to build them and vast ordered human displays to fill them. His great granite parade ground was strong enough to support a thousand tanks, and his Great Hall, designed as a monument of universal strength, led to a vision of mad authority. Speer's move from the man in charge of building to the man in charge of destruction, as minister for armaments and war production in 1942, has a terrible symmetry about it.

Soviet architecture had nothing to redeem it. It is horrifying to see its scale and the endless parade of triumphant collective workers with their banners. The numerous Palaces of the Soviets are grandiose and without meaning. President Ceaucescu's Palace of the Triumph of Socialism was still unfinished as communism collapsed in Romania, and is the only heir to this school of power-mad architecture.

This is an exhibition that reveals the sham world of the dictators without exposing the horror. It raises the question, can you separate art and architecture from the political systems they serve?

Architecture is a mirror of society and this exhibition shows only too clearly what happens when that society is built on collective violence and ludicrous tyranny. The hollow monuments give it all away.

Colin Amery

Manic dreams: propaganda art from the Spanish Civil War

'Sprint soaps' have replaced athletics

SPORT

KEITH WHEATLEY

It is easy to get off on the wrong foot with Professor Peter Radford.

The head of British athletics has had a few run-ins with the media and is not one to accept its gloomy world view. Why is the sport in such turmoil, I asked him at the Birmingham headquarters of the British Athletics Federation.

"It doesn't feel that bad from where I'm sitting," he countered. "The British press have become obsessed with a contrary view of reality." He argues that the coverage of track and field has been replaced by a series of personal dramas, "sprint soaps".

Christie versus Radford was probably the biggest. Linford Christie, Britain's world and Olympic champion 100m runner, spent much of the summer wrangling semi-publicly with the BAF about how much he was to be paid per meeting.

Radford appeared at the time to be taking a firm line with the star but somehow never managed to convert that into a position of moral superiority.

"I don't know that there was a problem with Linford. At the beginning of the year we have to deals with athletes and their agents," said Radford. His mane of white hair gives him an almost scholarly appearance but his manner is all brusque middle-management.

"It's not unreasonable for runners to negotiate their price. Negotiations go on in all walks of life." He maintains there was never any personal animosity. "There was never a stand-off. We have a perfectly good relationship," said Radford. "I've never had a cross word for Linford and he's never had one with me."

Clearly, Radford and the BAF were working from a shrinking budget and dealing with a performer who wanted more. In the next few weeks the federation will reveal a loss for the past financial year, probably about £350,000. Set against a 1993-94 surplus of £250,000, a financial reverse of, say, £600,000 out of annual income of £7.7m is not to be laughed off.

Christie's demand for more money was also impossible to countenance as an example to lesser stars. What the BAF is struggling to deal with is the paradox that whilst British athletes are hugely successful internationally – consider Christie and Sally Gunnell, as well as Gothenberg medallists such as triple-jumper Jonathan Edwards and middle-distance runner Kelly Holmes – the audiences for domestic competition seem to be shrinking.

Field leader: Radford at Rome's Olympics in 1960

ITV has been the BAF's broadcasting partner since the mid-1980s. In those far-off days of Coe, Cram and Ovett there were as many as 27 athletics meetings broadcast each season. Now there are a fraction of that number and the independent channel's appetite for running, jumping and throwing seems limited.

Radford openly admits that the BAF is having discussions with other broadcasters about TV rights after the 1996 season when the current agreement expires. It is essential.

"We are the only country in the world where athletics supports itself by a series of televised events," Radford emphasised with some pride.

Sponsorship follows the broadcasting and it is in this area where there has been some drift away from a sport that seems to be losing its clear focus and market, in comparison with rivals such as football, rugby or Formula 1.

Media people pick up the curious "vibes" from the athletics heartland. Soon another feud ignited. Colin Jackson, world champion in the 110m hurdles, announced that he would boycott every British meeting next year with the exception of the Olympic trials.

Jackson was humiliated by a dressing-down he received from Radford about the runner's decision to appear for money in Padua, Italy, rather than in the British national championships. "I have made up my mind that after the way Radford spoke to me in his office, lecturing me like a schoolboy and virtually accusing me of lying, I can have nothing more to do with the man or his meetings," said Jackson, normally the mildest and most equable of men.

In his 18 months at the BAF Professor Radford has made enemies. Important employees have departed yet are still prominent players in the sport. Many figures in the related fields of promoting and marketing sports events have no great love for the former academic and sprinter, who won a bronze medal for Britain at the 1960 Olympics.

Everyone involved in British athletics agrees that what Radford brings to the top job is total integrity and a passion for the sport at the grass-roots (where it has seldom been healthier). They compare his amour propre against such legendary wheelers and dealers as Primo Nebiolo, head of the International Amateur Athletics Federation.

However, a few insiders are beginning to feel that in the TV studios and the agents' boardrooms, the executive chairman is going to have to show rather more Nebiolo and a bit less Chariots of Fire.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF OREGON

In re COLUMBIA WESTERN, INC. f/k/a Riedel Environmental Technologies, Inc., Debtor — Case No 395-35394-elp11

NOTICE REGARDING ORDER APPROVING DISCLOSURE STATEMENT, FIXING TIME FOR FILING ACCEPTANCES OR REJECTIONS OF PLAN, AND PLAN CONFIRMATION HEARING

To all creditors and shareholders of Columbia Western, Inc. f/k/a Riedel Environmental Technologies, Inc. (the "Debtor"), including all holders of the Debtor's 7% Convertible Subordinated Debentures due 1999, and to other parties in interest:

PLEASE TAKE NOTICE that by order dated October 4, 1995, the Bankruptcy Court approved the Debtor's Fourth Amended Disclosure Statement dated September 14, 1995 (the "Disclosure Statement") regarding the Debtor's Third Amended Plan of Reorganization dated September 14, 1995 (the "Plan"), and established the following schedule regarding confirmation of the Plan and related matters:

1. November 20, 1995 is the last day for filing written ballots accepting or rejecting the Plan. Ballots must be mailed to counsel to the Debtor, Daniel C. Cohn, Esq., whose mailing address is Cohn & Kelakos, 265 Franklin Street, Boston, Massachusetts 02110.

2. Objections to the Plan must be in writing, setting forth the specific grounds and details of objection, and must be filed on or before November 20, 1995 with the Clerk, U.S. Bankruptcy Court, 1001 S.W. 5th Avenue, #900, Portland, Oregon 97204, and a copy simultaneously mailed to the Debtor, the chairperson of the Creditor's Committee, and their respective attorneys. Creditors filing a timely written objection may also appear at the confirmation hearing to voice their objection.

3. THE HEARING ON CONFIRMATION OF THE PLAN WILL BE HELD on Tuesday, November 28, 1995, at 10:00 a.m., in Courtroom #1, 1001 S.W. 5th Avenue, #700, Portland, Oregon 97204.

4. Complaints objecting to the Debtor's full DISCHARGE pursuant to 11 U.S.C. § 1141 (d)(3) and Bankruptcy Rule 4004 (a) shall be filed not later than the date fixed in paragraph 3.

5. Copies of the Plan and Disclosure Statement and ballots may be obtained from the undersigned counsel to the Debtor.

COLUMBIA WESTERN, INC.
By its attorneys,
s/ A. Davis Whitesell
Daniel C. Cohn, Esq.
A. Davis Whitesell, Esq.
COHN & KELAKOS
265 Franklin Street
Boston, MA 02110
(617) 951-2505

No. 006469 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
UNISTAT GROUP PLC
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 17th day of October 1995 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the abovenamed Company by £990,327.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on 8th November 1995.

ANY CREDITOR or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 30th day of october 1995

ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London EC2A 2HA

Ref: SAW/VCB/122127
Tel: 0171 638 1111
Solicitor for the said Company

PERSONAL

هكذا من الأصل

ARTS

OPENINGS

MUNICH
Jonathan Miller seems to do nothing but opera these days, judging by the production credits at the world's major opera houses. His latest stop is Munich, where his new staging of Donizetti's "Anna Bolena" opens tonight. The title role is sung by Edita Gruberova.

NEW YORK
The Metropolitan Museum of Art pays tribute to the British painter Howard Hodgkin (b.1932) with a survey of his work over the past 20 years. Around 50 paintings will be on show, ranging from early examples of Hodgkin's fully mature style to recent works which have never before been exhibited.

LONDON
At the Queen's Theatre tonight, drag performer Lily Savage opens in the "all laughing, singing and dancing" "Prisoner Cell Block H", with music and lyrics by Don Battye and Peter Pinne.

TURIN
The opera season at the Teatro Regio opens tomorrow with the first of eight performances of Wagner's "Die Meistersinger von Numberg". The staging by Graham Vick is borrowed from Covent Garden, where it was first seen in 1993. Turin has a new cast, headed by Wolfgang Brendel as Sachs, and the conductor is Dietfried Bernet.

Designer classics unveiled

Jackie Wullschlager on a new publishing venture by Everyman

Ninety years ago, an eccentric editor conceived the obsession of his life: to publish, cheaply and elegantly, the 1,000 classics which would create "the most complete library for the common man the world had ever seen". Title number one was Boswell's *Life of Johnson*, number 1,000 was Aristotle's *Metaphysics*. Started with £10,000 capital, J.M. Dent's Everyman series sold 50m books in half a century.

To anyone who reads English literature and was born before 1970, the name Everyman strikes a chord. It calls to mind those plush green endpapers with the art-nouveau scroll of the motto, "Everyman, I will go with thee, and be thy guide" – words spoken by Knowledge in a Tudor morality play. Until the paperback revolution in the 1960s forced it into decline, Everyman evoked self-education opportunities for the ordinary reader.

"Night and day he reading," wrote V.S. Naipaul of his hustler-hero the Mystic Masseur, who sends for box-loads of Everymans in Trinidad and ends up honoured by the Queen of England. Forty years on, Naipaul himself is an Everyman author. This month, a new series, Everyman Contemporary Classics, is launched with the aim to do for modern writing what the original series did for the classics.

In 1990s designer editions – bound in red cloth with gold markers, pin-striped jackets and photos of author-as-superstar – come *Catch-22*, *Midnight's Children*, Naipaul's *A House for Mr Biswas* and other recent novels. They are beautifully crafted books, well-priced – at £12-£15 for titles available nowhere else in hardback – and introduced by big names (Amis on Bellow, Updike on Updike).

They are also fascinating cultural products which reflect developments in literary taste – the changing role of fiction, shifting definitions of a classic – this century.

To give recent fiction the patina of a classic is a typically 1990s idea. In the past five years, the term "classic" has become sexy; it fits our values of romance and nostalgia. Eleven million people are now watching the BBC serialisation of *Pride And Prejudice* – almost as many as watch *EastEnders*. Last year, *Middlemarch* was a best-seller. *Jane Eyre*, selling 100,000 copies a year, is Penguin's most popular title. And where Penguin used to be almost alone in the classics market, rivals have entered the field at every level, from the downmarket Wordsworth editions, at £1 a book, to the Everyman series, relaunched in 1991 on the model of the scholarly French Pleiade editions.

Like J.M. Dent in 1906, David Campbell, publisher of Everyman Contemporary Classics, has to choose titles that will sell and thus finance the expansion of the series. So a comparison of the two launch lists, 90 years apart, speaks volumes about popular taste. What leaps to the eye is the enhanced status of the novel today. On Dent's 1906 list, there are biographies, fairy tales, essays, but no novels; only gradually did what his editors called "the tyrannous demands of fiction" make an impact. The present list is comprised almost entirely of novels, and as interest in the Booker Prize – to be announced on November 7 – demonstrates, it is the novel that is the popular literary form today.

There are many social reasons for this: in a time of less formal education, the novel of all genres makes the least formal demands on its readers; it is also the literary form which most easily lends itself to adaptation by television and film, and so on to mass popularity.

If the Contemporary Classics list is more democratic, it is also more international. In contrast with the 1906 list, not one of its authors was born in England. Campbell admits that his list is a personal choice, though he is backed by an eminent editorial board which includes Seamus Heaney and Malcolm Bradbury. Most people would agree, however, that the titles are among the most significant works published from 1950 to 1981. And few English novels of that period can match their stature. Why not?

Cumulatively, the introductions suggest a reason. Each stresses the universal "Everyman" nature of the work, and how this relates to the culture from which it emerged. "All the important events of the first 30 years of Indian independence are to be found in *Midnight's Children*," writes Anita Desai. "*The Adventures of Augie March* is the Great American Novel. Search no further," says Martin Amis.

Personal choices: Everyman's David Campbell

Everyman Contemporary Classics

Bellow	**The Adventures of Augie March**
Updike	**Rabbit Angstrom**
Heller	**Catch-22**
Naipaul	**A House for Mr Biswas**
Solzhenitsyn	**One Day in the Life of Ivan Denisovich**
Garcia Marquez	**100 Years of Solitude**
Levi	**The Periodic Table**
Morrison	**Song of Solomon**
Rushdie	**Midnight's Children**

1906 Everyman Library

Boswell	*The Life of Samuel Johnson*
Lockhart	*History of Napoleon Buonaparte*
Andersen	*Fairy Tales*
Hawthorne	*A Wonder Book & Tanglewood Tales*
Byron	*Childe Harold's Pilgrimage*
Kingston	*Peter the Whaler*
Kingston	*The Three Midshipmen*
Lamb	*Tales from Shakespeare*
Marcus Aurelius	*The Golden Book & Meditations*
Bacon	*Essays*

What these books imply is a correlation between decisive moments in a nation's history, and its ability to produce great novels. As Charles Dickens and George Eliot emerged out of newly industrialised, imperial Victorian England, so Bellow and Heller come from an America turning itself into a world power, Rushdie from the new freedom of post-independence India.

England during this period, diminishing in importance and losing self-confidence, by contrast threw up no novelists as innovative. On the excitement and newness of the US in 1961, Philip Roth wrote "the actuality is continually outdoing our talents, and the culture tosses up figures almost daily that are the envy of any novelist".

New social and political situations demand new forms of literature in response – thus the radical absurdity of Heller, or the originality of Rushdie's epic fantasy. Original style, as Amis says when introducing Bellow: "Is not something grappled on to regular prose; it is intrinsic to perception."

A third difference between the lists is the relation between writer and audience. Introducing *Song of Solomon*, Reynolds Price points out that while pre-20th-century writers, "Dostoyevsky or Jane Austen, for instance, could possess a generally accurate sense of their potential readers' minds; and their work could be guided ... by their canny estimate of those readers' expectations", a writer today is "lonelier and less certain" about "who out there may attempt to read [him]".

For the reader, this works inside out. The Victorians looked for answers in the condition-of-England novel – Dickens, Mrs Gaskell. But readers today have a global outlook. In England, we read Updike's *Rabbit* tales of Middle America, Toni Morrison's account of a black family from the South, Naipaul's story of growing up in Trinidad – all written in their own distinctively unEnglish English – to understand our own experiences.

One of the joys of the new list, and its introductions, is that it illuminates parallels across continents – the links, say, between Garcia Marquez's magic realism, Heller's absurdism, Rushdie's fantasy.

As the list expands, it promises to become a superb library for anyone interested in post-war fiction.

Theatre/Ian Shuttleworth

Fun with Jolson

An incredible phenomenon occurred at the Victoria Palace: the entire audience of the musical *Jolson* consistently responded to its star Brian Conley as if he were the man himself, and as if Jolson meant everything to them. Admittedly, this was a partial opening-night crowd, but Rob Bettinson and Paul Jury's second bio-musical collaboration (following the success of *Buddy*) does, on this showing, seem to have that indefinable "it".

Musical biographies of musical stars are often difficult to pull off, as – strong though the music may be – their subject's lives turn out not to be all that dramatically interesting. Al Jolson's life falls into this category: the meat of the story, his family's emigration from Lithuania and young Al running away from home to work in vaudeville, is referred to only in passing. The stage story simply covers two later segments of Jolson's life: stardom in the 1920s, and his comeback in the 40s. Neither episode is imbued with unique, compelling drama.

The show is more than redeemed by a combination of ingredients. First, the cut-and-paste narrative is given a strong element of continuity, particularly in Act One, where the first eight or nine scenes follow naturally upon one another, building a strong foundation for the more selective story-telling that follows. The character of Jolson is a boon as well: capricious egotism and pig-headedness offset by disarming magnetism.

Then there is Conley himself. I recall cordially disliking his last West End appearance in *Me And My Girl* as being too determinedly chirpy even for that show, but here he shows a fine awareness of when not to milk the comedy, playing the Jewish sardonicism with finesse.

His vocal impersonation of Jolson, to these untutored ears, is remarkable, although now and again his phrasing grows a little too playful. In a concession to modern sensibilities, only one scene is played in blackface.

Sally Ann Triplett gives sterling support as Jolson's third wife, Ruby Keeler, although there is never any danger of stealing the spotlight from Jolson and Conley. John Bennett excels in the thankless role of Louis Epstein, Jolie's manager and whipping boy, and John Conroy steals a few scenes as his sardonic dresser.

The production values are as big and bold as one would expect, only occasionally tipping into glitz for its own sake. And, naturally, so many instantly recognisable numbers are crammed in that the audience wants to sing along, and is given its chance in the final (frankly overlong) concert segment.

Buddy ran for seven years at the Victoria Palace; I would not be surprised if *Jolson* enjoys similar longevity. When the catchphrase "You ain't seen nothin' yet" rings out, we know that in fact we have seen it all before, but are having so much fun that it doesn't matter.

Victoria Palace Theatre, London SW1 (0171 834 1317).

Inspector calls again

The West End will soon be full of theatres roughed up by Stephen Daldry's productions. Virtually back to back with the disembowelled Duke of York's, where his *Rat in the Skull* has just opened, the Garrick now houses his superb staging of *An Inspector Calls*, back in the West End for an avowed final run.

Somehow the set seems even more striking amid the velvet plush than it did in the National Theatre, where this production originated; while the play's message is even more unsettling for an audience that has just encountered beggars en route to the theatre. And, though it is now well travelled, the production has lost none of its dark brilliance and scalding power.

For those who missed the reviews first time round, Daldry gives an expressionist treatment to J.B. Priestley's play about the mysterious inspector who calls on a smug Edwardian household and proves their collective responsibility for the death of a destitute girl.

Ian MacNeil's set perches the Birlings' comfortable home like a doll's house on stilts above a sea of broken bricks and desolation, where ragged waifs wade through the gutter. This gives an electric shock not to the play itself, but to our perception of it. What might have seemed an old war horse with a social (and socialist) conscience becomes a blazing appeal to modern man to mend his ways.

The style is heavy-handed in places; Daldry is rather fast and loose with the volume control, pumping Stephen Warbeck's brooding music out so loudly that it threatens to deafen those in the stalls. Otherwise, this is still a startling reading that has you on the edge of your seat no matter how well you know the story. Performances are very strong, and the cast works well together, gradually building the atmosphere up to breaking point. Nicholas Woodeson, as Inspector Goole, does not have the restrained gravitas of Kenneth Cranham who first took the role, but replaces it with a ferocity that gradually comes into its own.

Sarah Hemming

Garrick Theatre, London WC2 (0171-494 5085).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA/BALLET
Het Muziektheater Tel: (020) 551 6922
● The Flying Dutchman: by Wagner. Conducted by Graeme Jenkins and directed by Richard Jones; 8pm; Nov 4, 7

■ BALTIMORE

CONCERTS
Baltimore Museum Tel: (410) 396 6310
● American Art Posters from Turn of the Century: an insight into the American way of life through advertising posters; from Nov 1 to Dec 31
THEATRE
Center Stage Tel: (410) 685 3200
● Don Juan: by Moliere in a translation by Christopher Hampton and directed by Irene Lewis; 8pm; to Nov 5

■ BRUSSELS

CONCERTS
Beaux-Arts Tel: (02) 507 8200
● Belgian National Orchestra: Yuri Siminov conducts Rachmaninov, Medtner and Sibelius; 8pm; Nov 3
Conservatoire Royal de Musique Tel: (02) 675 5414
● Peter Donohoe: pianist plays Prokofiev's Sonata's six, seven and eight; 8pm; Nov 6

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 134 0400
● City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts Beethoven's "Symphony No.1" and "Symphony No.3"; 8pm; Oct 31
● State Orchestra of Dresden: Giuseppe Sinopoli conducts Busoni, Schoenberg, and Tchaikovsky; 8pm; Oct 30

■ LONDON

CONCERTS
Royal Opera House Tel: (0171) 304 4000
● Manon: directed and choreographed by Kenneth Macmillan to the music of Massenet and conducted by Barry Wordsworth; 7.30pm; Oct 30; Nov 1, 2, 7
● Swan Lake: choreographed by Marius Petipa and Lev Ivanov. Vikotor Fedotov/Anthony Twiner/ Barry Wordsworth conducts Tchaikovsky; 7.30pm; Nov 3, 4 (7pm), 6
GALLERIES
Hayward Tel: (0171) 261 0127
● Art and Power: examination of the relationship between art and politics in the 1930s and 1940s Europe where culture became an arena for the struggle between communism and fascism; to Jan 21
Serpentine Tel: (0171) 402 0343
● Big City, Artists from Africa: sculptures, drawings, images and objects by contemporary artists from several African countries; to Nov 5
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● The Barber of Seville: by Rossini. Conducted by Jane Glover and directed by Henry B. Little from the original direction by Jonathan Miller. Soloists include Alan Opie, Jean Rigby/Fiona James, Charles Workman and Gordon Sandison; 7.30pm; Nov 2, 4
● The Fairy Queen: by Purcell. A new production conducted by Nicholas Kok and directed by David Pountney. Soloists include Yvonne Kenny, Janis Kelly, Mary Hegarty and Yvonne Barclay; 7.30pm; Oct 31; Nov 3
Royal Opera House Tel: (0171) 304 4000
● Götterdämmerung: by Wagner. A new production directed by Richard Jones and conducted by Bernard Haitink. Soloists include Deborah Polaski, Vivian Tierney, Jane Henschel and Judith Howarth; 4.30pm; Oct 31
THEATRE
Donmar Warehouse Tel: (0171) 369 1732
● The Glass Menagerie: by Tennessee Williams, directed by Sam Mendes. Cast includes Zöe Wanamaker and Claire Skinner; 8pm; to Nov 5
National, Lyttelton Tel: (0171) 928 2252
● La Grande Magia: by Edouardo de Filippo in a translation by Carlo Ardito. Richard Eyre directs Alan Howard and Bernard Cribbins in de Filippo's comedy; 7.30pm; Oct 30, 31; Nov 1 (2.15pm), 2

■ LOS ANGELES

OPERA/BALLET
Dorothy Chandler Pavilion Tel: (213) 365 3500
● The Abduction from the Seraglio: by Mozart. Conducted by Julius Rudel and directed by Michael Hampe. Soloists include Jorma Silvasti, Elzbieta Szmytka and Doug Jones; 7pm; Nov 4, 7

■ MUNICH

GALLERIES
Kunsthalle der Hypo-Kulturstiftung
● Felix Vallotton: retrospective of the Swiss-born Nabis group member; to Nov 5
OPERA/BALLET
Bayerische Staatsoper Tel: (089) 22 13 16
● Anna Bolena: by Donizetti. Conducted by Fabio Luisi and produced by Jonathan Miller. The cast includes Edita Gruberova, Vesselina Kasarova, Anne Salvan and Roberto Scandiuzzi; 7pm; Oct 30; Nov 2, 6

■ NEW YORK

CONCERTS
Carnegie Hall Tel: (212) 247 7800
● Argerich and Kremer: pianist Martha Argerich and violinist Gidon Kremer; 8pm; Nov 1
● Beaux Arts Trio: all-Beethoven programme; 8pm; Nov 2
● Orchestra of St. Luke's: with soprano Barbara Hendricks. Bernhard Klee conducts Schubert and Mozart; 8pm; Nov 4
GALLERIES
Guggenheim Soho Tel: (212) 423 3500
● Dieter Appelt: retrospective with more than 60 paintings and sculptures; to Nov 5
OPERA/BALLET
New York City Opera Tel: (212) 307 4100
● La Bohéme: by Puccini. A new production conducted by Christopher Keene and directed by Graziella Sciutti; 8pm; Nov 2, 5 (1.30pm)
● Temple of the Golden Pavilion: by Mayuzumi. A new production directed by Jerome Sirlin and conducted by Christopher Keene. Based on a novel by Yukio Mishima in an English translation by Christopher Keene; 8pm; Nov 3
● The Magic Flute: by Mozart. Conducted by Randall Craig Fleischer and produced by Lotfi Mansouri; 1.30pm; Nov 4
● Turandot: by Puccini. Conducted by Guido Ajmone-Marsan and produced by Jonathan Eaton; 8pm; Nov 1, 7 (6.30pm)

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● Festival Orchestra of Brescia and Bergamo: with pianist Zoltán Kocsis. Iván Fischer conducts Bartók's "Concerto for Piano and Orchestra No.2"; 8.30pm; Nov 7
● Festival Orchestra of Budapest: with pianist Zoltán Kocsis, mezzo-soprano Ildikó Komlósi and bass Kolos Kováts. Iván Fischer conducts Bartók's "Concerto for Piano and Orchestra No.1"; 8.30pm; Nov 6
● *French National Orchestra: with* violincellist Mstislav Rostropovitch. Georges Prêtre conducts Berlioz, Fauré, Saint-Saëns, Messaiaen, Honnegger and Schmitt; 8pm; Nov 4
● Orchestra du Gewandhaus of Leipzig: Kurt Masur conducts Strauss' "Metamorphoses" and Beethoven's "Symphony No.3"; 8.30pm; Nov 3
GALLERIES
Centre Georges Pompidou Tel: (1) 42 77 12 33
● Hybert, Quardona and Roudenko-Bertin: running in conjunction with "Feminine-Masculine", three artists of different styles produce works that demonstrate the relationship between sex, the body and sexual differences; to Jan 1
OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Eugène Onégin: by Tchaikovsky. A new production produced by Willy Decker and conducted by Alexander Anissimov. Soloists include Gerlinde Lorenz, Solveig Kringelborn/Galina Gorchakova, Anthony Michaels-Moore; 7.30pm; Nov 4
● Les Variations D'Ulysee: a new production choreographed by Jean-Claude Gallotta to the music of Jean-Pierre Drouet; 7.30pm; Nov 6

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● Pittsburgh Symphony Orchestra: with pianist Hae-Jung Kim. Alexander Dmitriev conducts Tchaikovsky's "Piano Concerto" and "Symphony No.4"; 8.30pm; Oct 30

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Samuel Brittan

Motives not full story

It is one of the minor scandals of our time that Professor Ronald Coase was never given one of the senior economic chairs at an ancient British university. Although this distinguished economist wrote a pioneer demolition of the bogus natural monopoly justification for Lord Reith's BBC which was based on a supposed spectrum shortage, he has spent the last few decades in the US.

But it is difficult to imagine a more English figure, as we were reminded in a recent all-too-short visit to London. He has not a trace of an American accent and even mentions cricket. Perhaps the English economic establishment has been too obsessed with copying the formalism of American economics, while Americans themselves have been more prepared to recognise a different type of talent, expressed in clear English.

Coase has never forecast next quarter's GNP nor pronounced on the equilibrium exchange rate of the franc. He was awarded the Nobel Prize in 1991 mainly for two simply written, but profound, articles. One was about why we have business firms and do not all buy and sell our services individually in the market. The other (named by others "the Coase Theorem") was about what orthodox economists call *externalities or social costs*, but which he insists are related to the legal structure and to the costs of carrying out transactions hitherto ignored in the textbooks.

Today, however, I want to turn to his discussion of a precursor, entitled Adam Smith's View of Man, in his *Essays on Economics and Economists* just published in paperback by the University of Chicago Press. Even among so-called educated people, almost the only known teaching of Smith is the quotation from *The Wealth of Nations*: "It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not *to their humanity but to their* self-love, and never talk to them of our own necessities but of our own advantages."

Thus to many people Smith is just a synonym for selfishness and the rat race. Needless to say, this is a travesty of the real Adam Smith, who in 18th *century fashion was a moral* philosopher just as much as a political economist, and many other things besides – he even lectured on astronomy.

Reuter

Smith's morality explained by Nobel Prize-winner Coase (right)

A few opponents of market economics do realise that Smith had a larger range and are fond of quoting – equally out of context – the opening sentence of *The Theory of Moral Sentiments*. "How selfish soever Man may be supposed, there are evidently some principles in his nature which interest him in the fortune of others, and render their happiness necessary to *him ... the greatest ruffian, the* ardent violator of the laws of society, is not altogether without it." According to this school of thought, Smith has simply been hijacked by the Thatcherites and is in truth the precursor of communitarianism, the "stakeholder" *theory of the firm* and much other current nonsense.

Businessmen don't know enough to pursue the best interests of humanity directly

Unfortunately it is easier to ridicule the opposing extreme interpretations than to say what exactly Smith's view was of human nature and its relation to political economy. *Moral Sentiments* was written by Smith as a young lecturer. Although he revised it at the end of his career, he never produced a full, coherent view of human motiva*tion and incen*tives. Indeed, there is only one cross-reference between the two books.

Moreover, I have to confess that I have *never been able to read The Theory of Moral Sentiments* to the end. It has seemed to me a work of armchair psychology; and in my most idealistic youthful phase I wanted to be an empirical psychologist. (*The Wealth of Nations* itself is not all an easy read and even at a *gathering of Smith enthusiasts* I could not find anyone who had read the whole book.)

Coase has helpfully extracted the gist of Smith's moral psychology and *related it* to his political economy. A clue is provided by a sentence which occurs just before the famous passage about the butcher and the baker: "In civilised society, man stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons."

There are many other wise words which could usefully fill a much longer article *than this one. But I must* try to boil down the reconciliation to a couple of assertions.

- Benevolence is strongest among close family and friends, extending partially to professional associates. But it becomes weaker when applied to millions of fellow countrymen, let alone the whole human race.

Smith has another purple passage about how a British subject would moralise a great deal about a disaster which swallowed up the inhabitants of China, but it would be less likely to cause him to forgo a single night's sleep than the loss of a single finger of his own hand. Coase asks whether it is different with any of the more recent tragedies such as Bangladesh (or Bosnia).

Smith himself simply accepted the successively weaker circles of obligation that people felt to those furthest away from them and favoured forms of society that did not put an excessive weight upon them.

- (And this is the more difficult doctrine). Even if benevolence were much greater, we would not have the *knowledge* to further the interests of humanity directly in normal commercial life. A business*man should be a good citizen* and not for instance dump lead into rivers. But he will do most good for his fellows if he concentrates on profitability rather than trying to maximise exports, set an example to others, "save the earth" or follow any other fashionable *nostrum*.

Smith believed that the human species had many failings, but possessed instincts, both benevolent and selfish, which in combination might enable it to make a go of things, given luck and a wise political and institutional structure. Which is just about it.

A careful prescription

Rationing in the health service is inevitable, but there are ways of improving the system

PERSONAL VIEW

Rationing is a fact of life in the National Health Service in the UK, as in other publicly financed health systems. The question is not whether, but how, to ration. While there are real strengths in the ways that the NHS rations, we can do better, and the topic is both important and urgent. What is more, it is not *one simply to be left to the* experts.

When the NHS was founded in 1946 the intent was (in Nye Bevan's words) that every citizen should receive "the best that medical skill can provide": not simply a decent minimum, but the best.

The current secretary of state, Mr Stephen Dorrell, reaffirms this commitment, saying: "I see the NHS not as a safety net service, but as a universal provider of high quality health".

Over the intervening years, however, this intent has become much more difficult to meet in full, primarily because medicine does not stand still. "The best that medical skill can provide" is something dramatically different – and in total, vastly more expensive – than it was in 1946. This transformation continues year by year and the potential bill rises faster than our collective willingness to fund the NHS.

The NHS currently costs some £42½bn a year, accounting for 15 per cent of government spending and more than 6 per cent of GDP. It is a lot of money, but it needs to be seen in context.

It represents roughly £670 a head per year, whereas a single day intensive care can cost much more than this – typi*cally £1,100 in a London hospi*tal, although in Dorset the figure last year was between £600 and £900 a day.

Some will argue that there would not be a problem if only the government would fund the NHS more generously, and if the health service eliminated inefficiency and excluded all treatments that offer little benefit.

I have sympathy with both lines of argument, but it is unwise to rely on them fully to resolve the dilemma in light of the evidence of history.

Chunks of service have in fact been chipped off the NHS over the years: dental services, for example, and optical services, because medical possibilities have grown faster than our collective willingness to pay.

What the NHS could pay for at one time, it can no longer afford. Thus rationing decisions are made willy-nilly, in these particular instances by exclusion.

The British public would much prefer that decisions about priorities among patients be made by doctors than by managers or politicians

The key features of the ways that the NHS currently rations are:

- The government sets the overall expenditure limits, based on what it thinks collectively affordable, as well as on current spending levels and its decisions about specific changes that it wants to make at the margin.
- This total amount is allocated down through the levels of the NHS, primarily on the basis of weighted capitation (ie on amount per head, adjusted for age, deprivation and disease patterns), to use to buy services from hospitals, community health services and general *practitioners*. Where GPs are fund holders they also buy some hospital services for their patients.
- Essentially, there are no clear service entitlements and few exclusions. Rationing in the individual case is done by *the clinicians* concerned, whether that be the GP, the hospital consultant, a clinical team or some combination of them all.

The advantages of these arrangements are real. The British public would much prefer that decisions about priorities among patients be made by doctors than by managers or politicians, and that is the way in which they are made in the NHS, albeit within the overall resource limits ultimately decided by government.

Nevertheless there are some real dangers, namely:

- Rationing based essentially on individual clinical judgments may operate unfairly between individuals. Who you are, who your doctor is, how articulately and pertinaciously you argue your case, may well affect your treatment more than it should. It is the old conflict, in the distribution of benefits, between the advantages and disadvantages of discretion in determining entitlements.
- Implicit rationing may result in activities that are of small benefit – extra investigations, excessive prescribing, unduly aggressive treatment – simply because doing something is easier than doing nothing. In the inevitable tension between individual and community medicine, the latter may receive less emphasis than it should.
- Collectively, implicit rationing conceals the need for hard choices. It is by definition less transparent than explicit rationing. As the gap widens between what the NHS can offer and "the best that medical skill can provide," the politicians and the public need to know that this is happening.

It is not good enough to place the distasteful and increasingly onerous task of rationing solely on the shoulders of the clinicians and tell them to close the gap between need and provision by trying even harder.

So, how can we do better? There are, I believe four main ways, while *preserving* the undoubted strength and flexibility of our arrangements.

First, government and the *health authorities/commissions* should give better support to the clinicians, by continuing to improve the evidence on effectiveness and costs currently available to them, and by indicating their own views on priorities.

Second, the need for rationing should be minimised by ensuring that nothing is done that the patient does not want, that marginal therapies are excluded, that waste is eliminated and that the NHS is properly funded for the levels of service that the government is pledged to provide.

Third, public understanding and involvement in these issues of choice need to be increased, and the decisions made need to be better explained.

Fourthly, we have something to learn by following closely the emerging experience of *some other* counties and jurisdictions that are trying to face up to these dilemmas, such as New Zealand, Sweden, the Netherlands and the State of Oregon.

Robert J Maxwell

Mr Maxwell is chief executive of The King's Fund, the independent health policy think tank, and editor of Rationing Health Care, *published by Churchill Livingstone, £49.*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Outrageous EU farmers plan

From Mr Terry Wynn MEP.

Sir, In "Deadlock over compensation for farmers", (October 25), Caroline Southey reports the situation as though it were a crisis. This proposal is an outrage. It will allow member states at national level to compensate farmers for currency movements. What other industry is compensated by governments for currency fluctuations? Why is agriculture so special?

My explanation of the vote in the European parliament recently on this very proposal said "there is no justification for agricultural producers alone being shielded from the pressures which arise from EU currency fluctuations".

As far as I am concerned this proposal can stay deadlocked in Council. It should never be there in the first place.

Terry Wynn,
Palais de l'Europe,
67000 Strasbourg,
France

High cost of UK rail freight re-merger

From Mr Charles McDowall.

Sir, I read with the utmost dismay your report that the government could contemplate selling the Trainload Freight companies as a single entity ("Rules for US rail bidders are changed", October 20).

It is of critical importance to the nation's regional economies and the development of rail-borne freight that there is rail versus rail competition and not just road versus rail competition. For the longer routes across the UK and for the variation in types of service it is essential that alternative rail-based bids are available in the UK. If rail to rail competition is not available we shall only see a slow development of rail services, for two principal reasons.

First, with only one rail offering, the price differential between road and rail will be managed on a marginal revenue and not competitive cost basis. With no rail versus rail competition the cost of haulage by train from London to Scotland would not be expected to be much less than that by road, when in fact for journeys of such distance, railways should be able to be significantly cheaper. This loss of competition in rail pricing will deny the UK regional economies a significant boost that they should expect from rail privatisation.

Second, for any potential wagon owner which would hire a Trainload Freight company to haul its train, the consolidation of the Trainload Freight companies into one whole would deny them the guarantee of competitive traction rates. This uncertainty will curtail the investment in new wagons and facilities. In these circumstances many of the new rail terminals and exciting new rail transport developments springing up can be expected to wither and die in their infancy.

Rail-borne freight transport in the UK is severely hampered by the short domestic transit distances available. It would be the death of the renewed interest in UK rail-borne freight if a single trainload freight company were to come out of the privatisation process. The combination of this privatisation and the Channel Tunnel have given the UK the first opportunity to revitalise the railways since Dr Beeching necessarily axed a substantial part of the network. It would be folly for the government to throw this opportunity away.

Irrespective of the capital price earned on privatisation, this is one occasion when the public must look to the competitive benefits to be seen from competition and ministers must be asked to look for the benefit to the economy, not the auction price in a one-off silver sale.

Charles McDowall,
CVA Logicon,
CVA House,
2 Cooper road,
Thornbury, Bristol, UK

EU an unwanted and ill-conceived structure

From Sir James Pickthorn.

Sir, Mr Christopher Piening's *plea for democracy in Europe* (Letters, October 25), and his complaint that Britain is a vociferous opponent of democracy, must not be allowed to pass without comment.

The European Union is an unnecessary and ill-conceived political structure. It is unwanted by the peoples of Europe and it is a hindrance to the economic development of Britain. The EU can never be democratic without usurping the power of the nations.

If the parliament becomes the powerhouse, then Westminster will become (and is becoming) a local authority. The parliament is not a parliament, it is an assembly. It has enormous constituencies, and will never be a satisfactory expression of the political will of European people.

A free trade area with minimal administration incorporating rules agreed between sovereign independent states is highly desirable and a lot less complicated than the ideas put forward by those who wrestle with the idea of "Europe".

James Pickthorn,
Pickthorn,
estate agent and chartered surveyor,
24 Lime Street,
London EC3M 7HR, UK

Reality contradicts alarmist picture of Tunisia

From Mr Mohamed Lessir.

Sir, I have read the article which was published in the FT under the headline "Tunisia lashes out at the Islamist phantom" (October 17). I was outraged by the allegations and excessive generalisations it contained.

Those who know my country can testify to its hospitable character and to its openness to millions of visitors every year from all over the world. This contradicts the alarmist tone and the narrow and gloomy picture conveyed by the article. Tunisia, which upholds the rule of law and where liberties are constantly promoted, has gone a long way *on the path of pluralism* and respect for human rights.

It boasts today seven political parties, a parliament where opposition is represented for the first time in the history of the country, nearly 6,000 associations of all trends, and last but not least a women's statute, considered among the most advanced in the would. These are but few achievements, among many others, which have been strangely omitted in the article and which prove the one-sidedness and whimsical nature of the allegations.

I have been equally amazed by the association of Moada's arrest with political motives. This information is unfounded, prejudiced and unworthy of a newspaper known for its seriousness. Moada's arrest is merely a common law case that has been dealt with in transparency and in conformity with the legal procedures in force and on the basis of a judicial preliminary investigation for illicit involvement with a foreign country.

I cannot think that your newspaper is among those who consider that politicians should be placed above the law.

Mohamed Lessir,
ambassador,
Tunisian Embassy,
29 Princes Gate,
London SW7, UK

Welcome plea for courteous smokers

From Mr Charles Wilson.

Sir, I see that Philip Morris is again taking out full page advertisements to present its message in the smoking/no smoking debate.

I can assure the company that I usually try to be courteous in my relations with other people, and I wish I could say the same for many of the numerous smokers I encounter, not all of whom are polite enough to ask if their smoke disturbs other people present, and some of whom are downright rude in defence of their "*civil liberty*".

But there are circumstances where it is not easy for smokers politely to ask those present if we wish to share their habit. Recently, we went to the theatre. The auditorium was rather stuffy, and a number of those present were looking forward to the interval, so we could get a breath of fresh air. A similar number of smokers were in such a hurry to get nicotine into their lungs that cigarettes were in hand as they trailed out of the auditorium, and lighter hit tobacco as they passed the door.

Non-smokers had a choice between having a drink in a smoky bar, standing in a smoky lobby, or going outside (fortunately it was not raining). And this in a country where it is illegal to smoke in a public place except in clearly designated smoking areas. I was courteous enough to refrain from calling the police.

So Philip Morris's appeal for courtesy is to be encouraged. May I suggest that it takes matters further by adding the following message to its packets: "Please respect the wishes of your fellow citizens before using this product."

Charles Wilson,
19, allée Vauban,
Eysines, SW France

هكذا من الأصل

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday October 30 1995

Russia walks a tightrope

President Boris Yeltsin's return to hospital is a blow to those hoping that a Russian economic stabilisation programme might finally make it through the winter.

For nine months, the president has surprised the sceptics by supporting the government's ruthless war on inflation. Although the reformers have long looked to be heading for defeat in the December parliamentary elections, the hope was that the power of the Yeltsin presidency could keep the economic programme on track. His health puts this in question.

Economists from the International Monetary Fund, now in Moscow discussing the possibility of a three-year official loan facility, are putting a brave face on recent events. The government has largely adhered to the tough monetary and fiscal targets agreed with the IMF early in the year in return for a $6.5bn standby loan. IMF officials admit that signing up to a second, longer term, programme – which could include loans of up to $15bn – would be a gamble in the present climate.

But withdrawing the prospect of Western support for the country's most successful stabilisation effort to date would be riskier still. Austerity has already yielded benefits in the form of lower inflation, and – since the summer – a relatively stable currency. Government borrowing is well within the limits set out in the IMF programme, with a federal budget deficit in the first eight months of the year of only 2.9 per cent of GDP, down from around 10 per cent of GDP at the same time last year.

Stringent targets

More surprising, to many, has been the central bank's adherence to its own stringent monthly targets for monetary growth, even during August and September, the time when monetary policy has traditionally fallen prey to demands for cheap – inflationary – credits by agricultural and industrial producers.

Thanks, in part, to the destabilising effect of large capital inflows in the spring and early summer, inflation has not fallen quite as fast as the government had hoped. But the 4.5 per cent monthly consumer inflation rate recorded in September was a great improvement on the start of the year, when prices were rising at closer to 20 per cent. With opinion polls still showing high inflation as the public's number one concern, the IMF is hoping that inflation will have fallen far enough by the year end to build support for continuing with stabilisation.

The trouble is that, so far at least, the social costs of Mr Chernomyrdin's dash for low inflation have been more visible to voters than have the benefits. Regrettably, the government has largely been unwilling, or unable, to cut borrowing by raising federal tax revenues, which were running at only 13.8 per cent of GDP in the first half of this year, roughly the same as last year.

Instead, Mr Victor Chernomyrdin, the prime minister, has avoided the inflationary budget finance of previous years through a mixture of savage spending cuts, opaque privatisation deals, and simple nonpayment of government bills and salaries.

Living standards

The upshot is that it has been easy for critics to paint stabilisation as an effort further to enrich a select group of "insiders" at the expense of the average citizen, whose real wage, according to official statistics, has fallen by around 20 per cent since December. The irony is that the poor stand to gain most of all from defeating high inflation, which is highly regressive in its effect on the living standards of pensioners and others on fixed incomes.

It would be tragic if the highly progressive aim of low inflation were defeated, once again, in Russia, because of the regressive means the government has so far used to achieve it. For all the flaws in the government approach, and for all the uncertainty ahead, the IMF must clearly do all it can to prevent this from happening. If the core of the programme lasts through the spring, relative price stability and rising real incomes could give a boost to Yeltsin-style reformers in the run-up to the presidential elections.

As ever, having a more stable economy would not rule out a return to nationalist, authoritarian government – democrats are not the only ones who see the merits of low inflation. They would, however, be the first victims of a lurch back to economic chaos.

Single market, multiple rows

It is no surprise that value added tax has become the latest battleground in Europe's progress towards a single market. For once, any embarrassment the Commission may feel in missing its target deadlines can be forgiven: the problems yet to be solved are genuinely tortuous. One danger is that these will be inadequately addressed in an attempt to make progress. A second is that Mr Mario Monti, the commissioner responsible for the internal market, will become bogged down in the dispute when his time might be better spent on other matters.

At this stage, the delay in drawing up plans for a new VAT framework is not primarily due to foot-dragging by member states, in contrast to other aspects of the single market where progress has been slower than hoped.

The difficulty is in agreeing a way of moving from the present "destination" system, where VAT is collected in the country in which the goods are consumed, to an "origin" system, where goods would be taxed in the country of production. Member states have deemed the origin system necessary in a single market, so that goods will be treated the same whether they are sold within a member state or between member states.

However, the new system would swell tax revenues of exporting countries at the expense of net importers. One of the main technical obstacles is the creation of a clearing house to shift revenues back to importers. Behind that problem lurk trickier differences of principle: the operation of a clearing house would be made simpler by harmonisation of tax rates, but many governments would – rightly – resist that idea.

New regime

Given the complexity of the issues raised, there is no point pretending that the target set by the Council of Ministers of January 1 1997 for the new regime to be in place is achievable. Indeed, given the time taken to agree and adapt even to modest transitional arrangements, commissioners owe it to governments and businesses to avoid any further overhaul until the implications are clear.

There is, after all, no shortage of things for Mr Monti to do as the single market approaches its third anniversary. There are some bright spots: traded goods are moving about the European Union more freely than many sceptics feared, and commendable attempts have been made to identify bottlenecks.

In financial services, where Mr Monti is also commissioner, there has been progress, although slower than hoped. Regulations on opening up insurance markets are beginning to have a noticeable effect on stimulating competition, and there has been movement on the thorny issue of cross-border insolvency proceedings.

Dusty jewel

However, the picture on other services, particularly those dominated by state monopolies, is less encouraging. Telecommunications liberalisation is a dusty jewel in the Commission's crown. So far, it has moved as fast as might be expected, but the real test will come in 1998 when national monopolies in voice telephony are due to end. Whether competition then thrives will depend partly on the sensitive question of terms of access to national networks. Negotiations on liberalising air traffic are similarly promising but slow; in 1997, airlines will have the right to operate domestic routes inside other member states.

However, proposals to open the market in postal services have been heavily watered down. The energy market is the most depressing case of all, given the obstacles placed in the path of the important proposal that private operators should have access to national gas and electricity networks. In each case, the sticking point is the concerns of state industries to protect their market share and employees.

The Commission is due to conduct a wide-ranging survey of the single market in the next year. Given the political realities, particularly concerns about unemployment, it may conclude it has done all it can. But high transport, energy and communication costs are one of the greatest threats to the competitiveness of European business. It is legitimate to ask whether, if Europe continues to lack a single market in those respects, it has a worthwhile single market at all.

Where the central bank fears to tread

South Africans want to get rid of exchange controls, but are wary of the results of abolition, says Roger Matthews

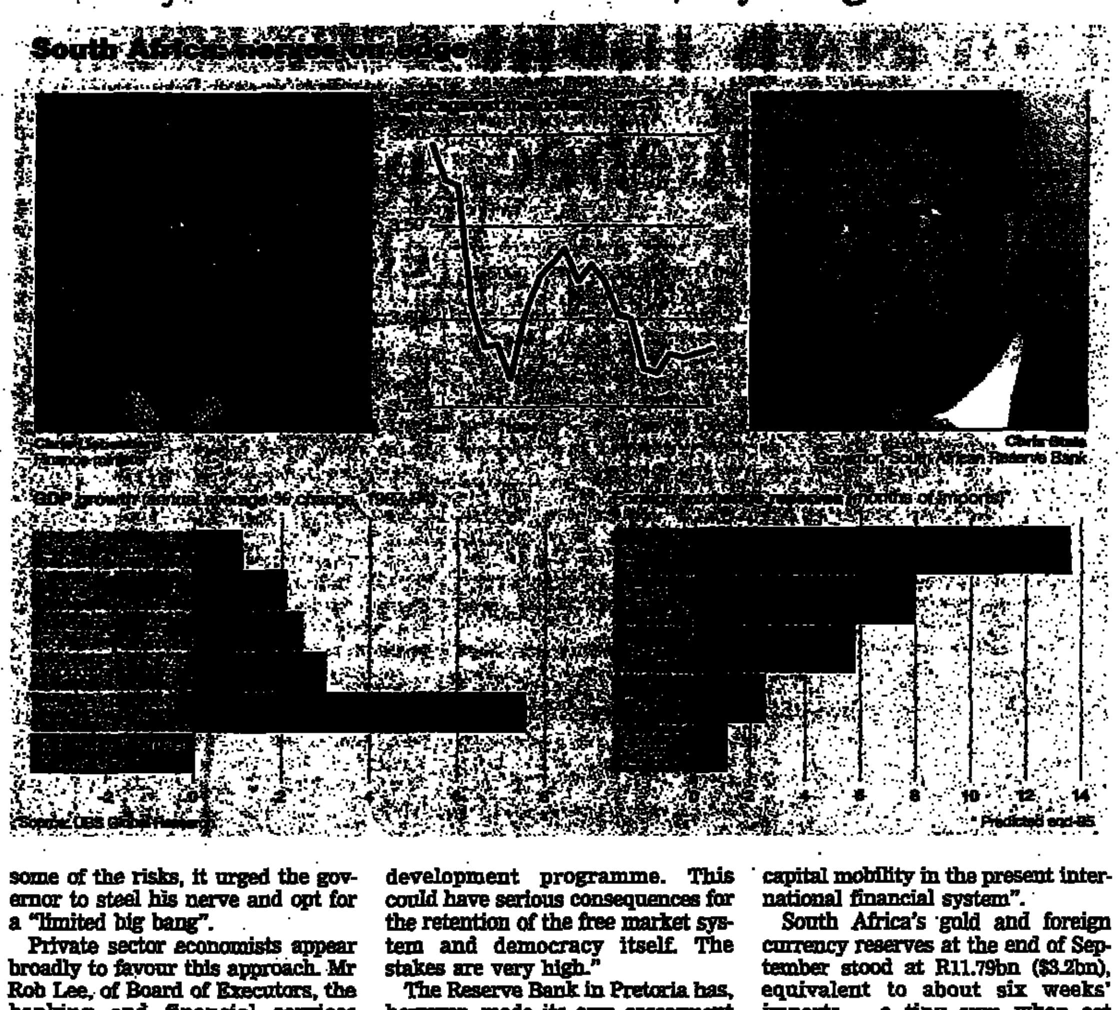
South Africans who think seriously about the country's economic future share a dream that they will wake one morning to find exchange controls have painlessly disappeared. But what provokes nightmares are the risks of moving, either too slowly, or too swiftly, towards abolition.

Excessive caution could leave the country trapped in an extended period of politically hazardous low growth and high unemployment, while a "big bang" might trigger a huge outflow of capital, soaring interest rates and a balance of payments crisis.

The debate touches several political and economic nerves. The African National Congress, after 16 months at the head of the government of national unity, is under pressure from its grass roots supporters to make good its pre-election promises. Not enough new jobs are being created even to absorb school leavers, far less reduce the 33 per cent unemployment level – which among blacks is 41 per cent.

Economic growth will reach about 3 per cent this year, but it shows no sign of accelerating towards the sustained 6-7 per cent levels needed to reduce the country's glaring inequalities.

The ANC's frustration is beginning to show. In the past three months it has fired a series of broadsides against the biggest conglomerates, particularly Anglo American, accusing them of strangling the economy and blocking foreign investment. The captains of industry deny the charges. Concentration of ownership, they claim, is a direct result of exchange controls. Selling off part of their empires, as the government seems to want, would be pointless if the only alternative was to use the proceeds to acquire new domestic assets.



The South African Chamber of Business (Sacob), which represents many companies, argues that the retention of exchange controls is interpreted overseas as an official vote of no-confidence in the economy. If the government suspects that South Africans would choose to invest overseas rather than at home, it can hardly expect foreigners to look favourably at the country. A rapid move towards abolition of controls, Sacob says, would send the opposite message and unleash a flood of foreign investment.

In a recent paper sent to Mr Chris Stals, governor of the Reserve Bank, Sacob also argued that the retention of exchange controls made it more difficult to maintain sound monetary policy, was bureaucratic and costly to administer, was circumvented through legal and illegal means, and led to allegations of favouritism when exceptions were made for individual companies. Although Sacob recognised some of the risks, it urged the governor to steel his nerve and opt for a "limited big bang".

Private sector economists appear broadly to favour this approach. Mr Rob Lee, of Board of Executors, the banking and financial services group, is keen to throw the switch. "In spite of the recent recovery, the level of gross domestic product in real terms is still lower than it was in 1988," he says. "This means in per capita terms GDP has fallen by close to 15 per cent in the past six years. Yet the economy is already showing signs of overheating."

Mr Lee claims the Reserve Bank is reluctant to act more decisively on exchange controls because it fears having to reimpose them. "However, the Reserve Bank's reluctance to act may result in a recession in the middle to end of the present government's term of office, and a failure to deliver in terms of the reconstruction and development programme. This could have serious consequences for the retention of the free market system and democracy itself. The stakes are very high."

The Reserve Bank in Pretoria has, however, made its own assessment of the consequences of a big bang. "The results were quite frightening," says one senior official. Mr Stals, and Mr Chris Liebenberg, the minister of finance, appear at one in their commitment to removing exchange controls, but at a pace dictated by political stability, and favourable economic developments.

In his annual report two months ago Mr Stals stressed that the approach must be gradual and cautious because, although reserves had improved slightly, this was mainly due to short-term capital inflows. For him, the Mexican crisis this year was "a stark warning to other developing countries of the risks involved in the high degree of capital mobility in the present international financial system".

South Africa's gold and foreign currency reserves at the end of September stood at R11.79bn ($3.2bn), equivalent to about six weeks' imports – a tiny sum when set against the possible outflows following an unqualified big bang. Mr John Postmus, general manager of exchange control at the Reserve Bank, estimates that the blocked funds of South Africans who have emigrated could alone be as high as R10bn. Most of that money could be expected to leave the country once exchange controls were lifted.

There is also up to R500bn in South African managed funds, such as pensions and unit trusts; some brokers estimate that at least 5 per cent, and perhaps up to 10 per cent, would be moved offshore in the first year after the abolition of exchange controls. There is probably another R250bn held by individuals, many of whom might wish to have some modest hedge against the risk of a less than miraculous political future for South Africa. Then there is the pent-up demand by large companies to invest overseas, perhaps using some of the proceeds raised from selling off local assets.

Conservative estimates of early outflows of capital suggest they would very substantially exceed total reserves. The hope is that the outflows would be offset by an increase in long-term foreign investment, but guessing how much might flow in is necessarily even more speculative than estimating the amount of capital flight. In short, big bang runs contrary to every central banker's instinct, even without factoring in the risk of adverse political developments.

Neither Mr Stals nor Mr Liebenberg are politicians, but their antennae must also be well enough attuned to appreciate how little enthusiasm there is among ANC leaders, or their trade union allies, for the abrupt removal of exchange controls. The sight of so much capital leaving South Africa, viewed by many in the ANC as the ill-gotten gains of apartheid, would be likely to spark a political storm. And if the economic gamble failed, the cost to the country, and ANC leadership, might be calamitous.

There is another way, part of which is already visible. In March, the financial rand, the mechanism designed to prevent the outflow of non-residents' funds, was abolished. This was followed by permission being given for South African pension funds, insurance companies and unit trusts to swap assets with institutions overseas, depending on Reserve Bank approval and accompanied by a guarantee from the South African institution that there is no foreign exchange risk. The Reserve Bank has so far approved a dozen swaps worth R5bn, and has more applications pending.

South Africa's new regional role is also softening the ANC's attitude to overseas investment. This may allow the Reserve Bank to become more flexible in handling applications for investments in its northern neighbours. Bigger companies may also find the Reserve Bank more amenable when they apply to make overseas investments.

Such moves will not be enough to silence those pressing for rapid abolition of exchange controls, but the government and governor appear not to be swayed by arguments for speed. They believe stealth, allied to caution, will bring them eventually to the point of announcing the abolition of the remaining controls. And they have decided that it will be later rather than sooner, and with a whimper, not a bang.

Welcome return to traditional values

MICHAEL PROWSE on AMERICA

By Washington standards, Mr Newt Gingrich has achieved near miracles this year. He has one of the smallest majorities of any Speaker in the past 40 years. His party does not control the White House. Yet he has dominated the policy debate from the moment Republicans triumphed in last year's congressional elections.

The liberal (left-leaning) Washington establishment has repeatedly under-estimated his determination and sheer political skill. The "Contract with America", his free market legislative agenda, was first ignored and then ridiculed. When Republicans gained office, Democrats confidently predicted they would back way from its "extreme" measures.

It was absurd to imagine they would seriously try to balance the budget over seven years, while cutting taxes. It was ludicrous to think that responsibility for social policy could be delegated to backward states and localities. Above all, it was quite unthinkable that any ambitious politician would propose curbs on Medicare, the popular health plan for the elderly. Everyone in Washington, after all, has always known that "entitlements" are the lethal "third rail" of American politics: you talk about restraint but you never ever do anything.

Well, it is time the critics ate humble pie. The House and Senate last week passed mammoth budget "reconciliation" bills that embrace nearly every aspect of Mr Gingrich's revolutionary agenda. There was a little backsliding on welfare and other issues in the Senate, but nothing that compromises the principal goals. And they passed the bills against a crescendo of bitter criticism from Democrats and in the face of opinion polls indicating a wavering of public support.

The budget endgame, of course, is still some weeks away. The House and Senate must iron out their minor differences and then send final legislation to the White House. Mr Clinton is expected to veto that bill. But in the ensuing negotiation, I suspect the Republicans will get most of what they are demanding.

Mr Clinton has been wobbly all year. In February he projected $200bn deficits forever, saying a balanced budget was not necessary. A few months later he said he would balance the budget, but over 10 years. In recent days he has hinted that the Republican timetable of seven years might be feasible after all. To cap it all, he has admitted he was wrong to raise taxes so much in 1993. This is hardly evidence of a tough negotiating stance.

So let us assume the Gingrich programme is mostly adopted. Will it, as Democrats argue, spell disaster for the US? Can America survive those savage spending "cuts"? The answer is "yes, easily" because the cuts are mostly illusory.

In Washington any spending that falls short of a baseline projecting steep increases in real terms is deemed a "cut". Believe it or not, the Republicans are pressing for incremental change. They would raise federal spending by about 3 per cent a year over the next seven years, roughly in line with the expected rate of inflation. The hope is that by stabilising spending in real terms, they can achieve a small reduction in the relative size of federal government - from 22 per cent of gross domestic product to perhaps 19 per cent.

To take just one example, Mr Gingrich is assailed as a vicious extremist for trying to impose ruinous cuts on Medicare. The truth is that Democrats want to increase spending by about 100 per cent in cash terms over the next seven years. Republicans are trying to hold the increase to about 45 per cent. Is that so very irresponsible, given that the nation will face acute strains when baby-boomers begin retiring early in the next century?

The other aspect of the Republican revolution to attract vitriolic criticism is the proposed shift of functions from Washington to the states. Mr Gingrich wants to end the federal government's direct responsibility for healthcare for the poor, for welfare, for job training and for many smaller social programmes. Instead of guaranteeing individuals a specific level of support, the federal government would give states fixed sums, known as "block grants", to be spent largely as they see fit. Democrats regard this as a heartless repudiation of 60 years of social policy inaugurated by Franklin Roosevelt's New Deal.

Yet why, in this huge and diverse nation, should every kind of social programme be micro-managed from Washington? The quality of state government has risen enormously in recent years. Governors want more powers and are likely to exercise them responsibly. It is they, not Congress, that have been at the cutting edge of social reform. If they believe the subsidies from Washington are insufficient, there is nothing to stop them raising revenue locally to pay for more generous social transfers. Devolving powers to states and localities respects a fundamental democratic axiom: that government is most effective when it is as close as possible to the people it serves.

Seen in historical perspective the Republican policies are anything but radical. The notion that you cannot be caring unless you believe in ever more powerful central government is of recent origin. Early this century, federal spending accounted for a few per cent of national income. Most public spending occurred at the state level. And yet the US prospered mightily. Mr Gingrich's policies are in tune with the individualistic values espoused by Americans for most of their history. It is the last 50 years that have been the aberration.

OBSERVER

Merci bien for nothing

■ We can look forward to Quebec's business leaders performing some spectacular somersaults in the next few weeks if pro-secession forces win today's independence referendum. For several made their disdain for the separatists only too plain in the early stages of the campaign when it looked as if the pro-Canada side would romp home to a comfortable victory.

Laurent Beaudoin, chief executive of Bombardier, whose products range from Lear jets to cross-Channel train carriages, threatened to move the company's head office out of Montreal. He went on to suggest that managers might wish to contribute to the federalist campaign's coffers.

Meanwhile, Claude Garcia, head of UK-based Standard Life's local subsidiary, found himself in hot water for suggesting that the separatists should not just be beaten, but "crushed".

Not all Canadian business leaders predict unmitigated gloom if Quebec goes its own way, though. Conrad Black, whose international media empire has its roots in a small paper in Sherbrooke, Quebec, reckons that independence could do wonders for the rest of Canada.

"Knowing finally where Quebec stands will enable Canada to set its course with much more assurance than ever before in its history," was the latest word from Black last week. "We could draw officially closer to the US with whom, if we chose, we could make a much more rewarding arrangement than we have had with an unappreciative Québec." So there.

Taxing one

■ Sympathy was flowing freely in Brussels over the weekend for Peter Wilmott, sacked last week from his post as director general of the European Commission's taxation department. And not just from his fellow Brits. For Wilmott would seem to be caught up in a larger game, falling foul of the already less than popular Enzo Moavero Milanesi.

Chef de cabinet for Italian Commissioner Mario Monti, Moavero Milanesi, who worked for Silvio Berlusconi before returning to Brussels for a second stint in January, appears to have taken exception to Wilmott's independent style. When miracles failed to occur in what is one of the Commission's more complex dossiers – harmonising VAT rates across the Union – and it became clear that Monti would not be producing the promised proposals before the end of the year, it was Wilmott who took the flak.

Meanwhile Moavero Milanesi has been doing what he does best, namely erecting a ring of steel around his commissioner. One of his techniques for protecting the mild-mannered academic is to ward off prying eyes by stapling shut written communications to and from his boss. The result is that, since Monti became single market commissioner in January, more or less nothing of importance has emerged from his office.

Academic pointer

■ Breaking down race barriers in South Africa is one thing. Winning the battle against male chauvinism may take a little longer.

In securing her election last week as the new vice chancellor of Cape Town University, Mamphela Ramphele sets two precedents, being both the first black and the first woman to inhabit the position.

A prominent sociologist, she has also made her mark on corporate South Africa, becoming a director of Anglo American three years ago. But, as she wryly pointed out, one South African magazine chose to see her appointment in a rather different light. "Mother of Biko's son becomes vice-chancellor", the headline ran – a reference to Ramphele's relationship with Steve Biko, the Black Consciousness leader who was killed in police custody in 1977.

Bank verse

■ And so to poetry. What do Shelley's *Ozymandias*, *The Road Not Taken* by Robert Frost, or Tennyson's *Ulysses* call to mind? Various things, but probably not Union Bank of Switzerland, that country's largest financial outfit.

Until now. The gnomes have called in the bards – alias ad agency Advico Young and Rubicam in Zurich – and hammered out a global television advertising campaign which makes no mention of anything remotely financial. It sticks solely to poetry readings, accompanied by snippets of suitably rousing music. Each advertisement modestly introduces "thoughts that transcend time from Union Bank of Switzerland". They all sign off: "Here today. Here tomorrow".

Vincenzo Travaglione, UBS project manager, says the bank wanted to "break out of the grey environment" of most of the advertising in the sector and "make a statement about its future and personality". *Personality?* The bank'll be penning its own immortal verse next.

Financial Times

100 years ago

Reflections on mining market

That eminent Belgian economist, M. Georges de Laveleye, has been giving the mining market the benefit of his attention. "Franklin said that you cannot make an empty sack stand up. If all the speculation in gold mines were merely ephemeral, the collapse would be irremediable. But there is something in the sack after all. Gold continues to be extracted in the Transvaal. The industry will go on and will extend. This is the anchor of security for those who have plunged into the vortex of speculation during recent months." We have said all this ourselves several times, but there is no harm in having our opinion endorsed.

50 years ago

[illegible]

FINANCIAL TIMES
Monday October 30 1995

Contingency plan if voters support secession

Banks set to curb flight of capital from Quebec

By Bernard Simon in Toronto and Robert Gibbens in Montreal

Canada's six big banks are taking steps to discourage a capital flight from Quebec if pro-secession forces win today's independence referendum.

The measures include providing extra cash to branches in the French-speaking province, hiring extra staff and advising customers that their Canadian dollar deposits will be safe. "The word that will go out is: everyone calm down, *nothing has changed*," one bank official said. The banks shut down the interbank foreign *exchange market at noon on Friday* in an effort to calm the Canadian dollar's volatility.

The Yes and No forces are neck and neck, according to the last big poll of the campaign, conducted by Groupe Léger of Montreal. According to the poll, 46.8 per cent of decided voters were in favour of sovereignty while 41.4 per cent were against. The poll assumed that most undecided voters would vote No. However, some internal polls in the federalist camp are understood to point to a narrow Yes victory.

Passions on both sides have become heated in the closing stages of the campaign. The No forces hoped to benefit from a huge pro-Canada rally in Montreal on Friday, which attracted about 150,000 people from across the country. Mr Lucien Bouchard, the driving force of the pro-secession campaign, said the hastily organised event was merely a "political trick" to tell *Québécois how to vote.*

The referendum question asks whether voters favour "sovereignty" *for Quebec, coupled with* a new economic and political "partnership" with Canada. Mr Bouchard has tried to play down the risks of a break-up by assuring voters that the rest of Canada would quickly negotiate new trade and fiscal arrangements.

But La Presse, Quebec's most influential daily newspaper, said in an editorial over the weekend that these arguments were outweighed by the likely economic costs of a split, and by opportunities for Quebec to achieve greater powers within Canada.

A narrow No victory would not end uncertainty about Canada's future. Mr Jean Chrétien, prime minister, would face the challenge of putting into practice the promises of constitutional reform he was pressured into making late in the campaign.

The separatists, who form the provincial government, would take heart that a clear majority of French-speaking Québécois, *who make up more than 80 per* cent of the population, had voted to break away.

The banks' concern has been heightened by a flood of queries from Québécois wanting to move accounts to Ontario or the US. Some economists have predicted that a capital flight would force Quebec to start issuing its own currency. The Canadian dollar rose slightly on Friday to 73.39 US cents. Economists predict that it will drop well below its record 1986 low of 69 cents if the Yes camp wins the referendum.

Ban on party may undermine Russian elections

By Chrystia Freeland in Moscow

Officials yesterday barred Russia's leading reform party from competing in December's parliamentary elections in a move which could provoke a boycott of the ballot and undermine Russia's fragile democracy.

*The Central Electoral Commis*sion barred the Yabloko party from competing on the grounds *that it had removed six candi*dates from its electoral list without asking the candidates' per*mission.*

Yabloko is the most popular party after the Communist party, according to a recent opinion poll, and is led by Mr Grigory Yavlinksy, who came second in a recent ranking of possible contenders in presidential elections scheduled for next June.

The decision prevents Yabloko from competing for the 225 seats allocated among political parties according to a system of proportional representation.

Banned parties can still field candidates for the 225 seats distributed in a first-past-the-post race between individuals. But many leading politicians had relied on getting their seats through the PR system and it is too late for them to register in the individual contests.

Opposition politicians reacted angrily to the decision and warned that it was part of a wider effort to exclude them from participating in the elections.

Russia's Choice, another leading reform party led by Mr Yegor *Gaidar, the former prime minis*ter, has not yet been registered to compete in the elections. *Party officials said they feared it* could be excluded on the same technical grounds used to ban *Yabloko.*

If the government does not back down, its ruling threatens *to spark* a boycott which could discredit the elections.

Mr Gaidar said his party *would meet today to consider its* response: "If influential associations such as Yabloko are *removed from the election cam*paign in such a manner, the election will become a farce, something *we won't take part in."*

Over the weekend, Derzhava, a nationalist party, was also barred *from competing on* technical grounds. It is led by Mr Alexander Rutskoi – Russia's *former vice-president and a bit*ter personal enemy of Mr Boris Yeltsin, the president, since his confrontation with the Russian parliament two years ago.

The most obvious complaint is expected to be that the the electoral commission has applied tough new rules to the opposition parties which it did not use earlier this month when it registered Our Home is Russia, the pro-government party led by Mr Victor Chernomyrdin, the prime minister.

Leeson abandons opposition to Singapore trial on Barings

By Nicholas Denton

Mr Nick Leeson has abandoned his struggle to avoid extradition to Singapore and will return *there to face charges that as a* derivatives trader for Barings he hid losses that brought down the *UK merchant bank in February.*

Mr Leeson has been held since March in Frankfurt after being *arrested on his way to London.*

He also withdrew the claims that have been at the centre of *his campaign against extradition* to Singapore: that only in the UK would he receive a fair trial and would all the facts of the Barings collapse come out.

Mr Leeson, whose earlier criticism of Singapore's system of justice offended the authorities there, said he had decided he would be *"fairly tried and judged"* in Singapore.

The change of stance comes after the initial success of Singapore's extradition request, the refusal of the UK's Serious Fraud Office to pursue a case against the former Barings trader, and the collapse of a private action by Barings bondholders who lost *money in the collapse.*

The decision not to appeal against the extradition clears the *way for Mr Leeson to be returned* in about a month to Singapore. Any trial would probably follow a *few months later. Mr Leeson* faces a maximum prison sentence of 14 years, compared with about *half that in the UK.*

However, there is a possibility of a bargain being struck in *which Mr Leeson pleads guilty,* offers co-operation with the Singapore authorities' inquiries into *the Barings collapse and receives* a reduced sentence.

The Singapore authorities are *expected to seek Mr Leeson's* help in efforts to establish whether senior Barings executives covered up losses and whether the trader's friends benefited from his activities.

Singapore's commercial affairs department is also examining the role of Mr Peter Norris, chief executive officer of Barings at *the time of its collapse. The Bar*ings executives have denied involvement in a cover-up.

*The commercial affairs depart*ment, which has found no evidence that Mr Leeson profited *personally from his trading, is* examining price adjustments on trades Mr Leeson entered into *with a close friend, Mr Daniel* Argyropoulous, a trader for First Continental Trading of the US. *Mr Argyropoulous is under inves*tigation and is not free to leave Singapore.

*The report into the Barings col*lapse by Singapore government inspectors said the price adjust*ments resulted in a profit of* S$700,000 ($495,000) for FCT, but it is understood that the inspec*tors were not aware of some off*setting transactions.

Peru and banks reach deal on $10bn debt

Continued from Page 1

announcing the accord, called it "the definitive step in Peru's return to the international financial community".

He was confident a Brady deal would "further stimulate direct investment and access to credit under the most favourable conditions". Brady deals are named after former US Treasury secretary Mr Nicholas Brady, who was instrumental in promoting international debt restructuring.

Principal owed on Peru's commercial debt totals about $3.8bn. A further $600m owed to suppliers, largely to Japeco, the Japanese consortium which built the northern Peruvian oil pipeline and Ferrostal, the German submarine-maker, has been added.

The debt and debt-service reduction package therefore covers some $4.4bn of principal. Interest on the debt, largely unserviced since 1984, would have brought the present-day total to well over $10bn, Peruvian officials admit.

Under the agreement, all creditors will be offered a choice of bonds and there will be a buy-back of debt by the Peruvian government through an auction.

Banking sources say a final agreement should be completed in November or December. The bonds will be backed by US Treasury bonds.

THE LEX COLUMN

Adidas kicks off

A new management team has pushed Adidas back into the premier league of *sporting goods companies, and it will* be well rewarded from its impending flotation. But Adidas will have to work hard to stay at the top. Since the start of 1994, Nike shares have risen 140 per cent, on the back of a winning marketing *streak. But* over the same period, the share prices of smaller competitors Hi-Tec and Converse more than halved, and the management of the other industry leader, Reebok, has stumbled badly.

Nonetheless, Adidas has further scope for catching up with Nike and Reebok. Management has shifted product manufacturing from Europe to Asia and pumped up spending on marketing and product development. *Adidas generated considerable growth* in the mature US market last year, albeit from a low base. And it has pole position in the faster growing markets of Eastern Europe and Asia. The world sporting goods market is expected to continue to achieve annual growth of more than 4 per cent up to the year 2000 and the large players have an inbuilt advantage, given the high costs of distribution and marketing – hence the performance of Hi-Tec and Converse.

The key concern for investors in Adidas is the commitment of the senior management. It is cashing in by selling half the company in the flotation, and are only locked in for 12 months on the other half. But this has been amply reflected in the share price range for the offer, which represents a healthy discount to Nike. Moreover, if management aims to sell out at the end of next year, it will have every interest in enhancing performance during the intervening period.

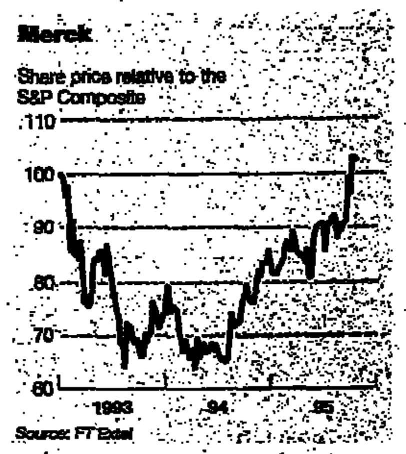
Drug distributors

The $13bn splashed out by drug giants Merck, Eli Lilly and SmithKline Beecham for "pharmaceutical benefit managers" looks like an expensive *mistake. Last week Merck settled com*plaints from 17 US states that Medco, its drugs distribution arm, has been *switching prescriptions from competi*tors' medicines to Merck drugs. This appeared to conflict with an earlier *Federal Trade Commission ruling that* distributors must be ring-fenced from their parents. Merck has agreed in *future to tell doctors and customers of* Medco's parentage.

This undermines the rationale *behind the rush of acquisitions in late* 1993 and early 1994; namely that the *drug companies would win market* share by pushing their medicines through the distributors. With integra*tion blocked, that now looks doubtful.*

Merck

Share price relative to the S&P Composite



Source: FT Extel

There may be slightly more to their argument that access to distributors' patient data will allow the drug companies to expand into the wider field of healthcare. After all, the drug bill makes up only 8 per cent of total health spending. But such data are extremely difficult to interpret, hence the boom in US software companies that simply collect and market this information. These companies hold far more extensive treatment data than drug distributors and are willing to share them for relatively small sums.

It is impossible to assess what profits these distributors are contributing since their owners have stopped splitting out any meaningful figures. The suspicion must be that the marriage so far has not been a fulfilling one.

UK electricity

The takeover flurry in the electricity *sector has been a diverting spectacle.* But investors need to focus on the event to which much of this activity is only the prelude. From 1998 Britain's 22m domestic customers will be free to buy electricity wherever they choose. *On its own, opening supply to compe*tition will not mean big savings for customers. Supply costs account for *just 7 per cent of household bills. The* regulator, Professor Stephen Littlechild, has bigger fish to fry. He wants *1998 to provoke more competition* between generators as well as suppliers. Shareholders in PowerGen and *National Power should take note.*

When the market is opened up, negotiation between suppliers and *generators will matter. At present,* suppliers can pass high generation costs on to consumers. Once their monopolies go in 1998, that will no longer be possible. Moreover, 1998 will mark the end of the main long-term *contracts* between National Power, PowerGen and the regional electricity companies (recs). At a stroke the generators will lose their most secure and lucrative business. Since overall generating capacity well exceeds even peak *demand, the generators* are unlikely to be able to strike such attractive new contracts. The result will be tougher margins and higher risks. That is why they are so keen to buy recs with their reasonably secure *customer bases.*

Vertical integration will also help the big generators maintain their dom*inance of the "pool" which determines* the electricity price. Even after National Power and PowerGen complete the forced disposal of some power stations, the pool is still likely to be dominated by three or four big integrated players. The risk is that independent suppliers and generators could be prevented from signing cheap contracts by a high pool price which their competitors have determined.

For the generators, vertical integration makes sense. But the game is not over yet. For one thing, the government has not yet cleared the bids. For another, if wholesale electricity prices fail to fall to reflect the excess capacity, the independents will be certain to squeal to the regulator.

Some have argued that independent supply businesses are things of the past: that they will have to pay more for their electricity than integrated businesses and will inevitably be undercut. This would only be true if independents were unable to buy electricity from generators at competitive prices, which seems unlikely given the *overall excess of generating capacity* over demand. More likely is consolidation between independent supply businesses through mergers or joint ventures. These would yield some cost savings. More importantly, they would provide bigger negotiating leverage vis-a-vis the generators.

The generators' share prices have *both underperformed recently, follow*ing their bids for recs. Investors would have been happier if the cash had been handed back to them instead. This reasoning is faulty since, without recs, the generators' core business *would be even more exposed to compe*tition in 1998. But the fall in their share prices is fair enough even if it has occurred for the wrong reason.

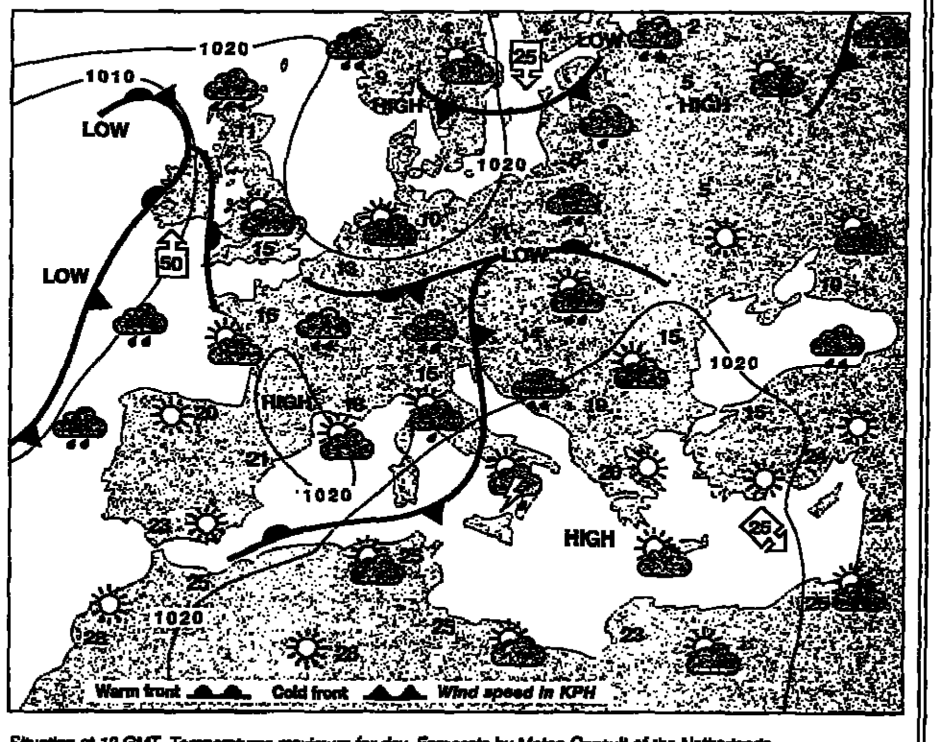
FT WEATHER GUIDE

Europe today

Ireland will have strong, southerly winds in the afternoon, possibly reaching gale force in the south-west by tomorrow night. It will be cloudy with outbreaks of rain. Western Scotland will have showers, while eastern Scotland will stay dry and sunny. High pressure over the North Sea will bring dry and sunny conditions to Denmark, the Netherlands and northern Germany. Central France, northern Italy, the Alps and southern Germany will have rain as the high pressure area moves east across Poland and the Czech Republic. A cold front will result in *thunder storms over central Italy.* High pressure over the central Mediterranean will bring dry and sunny conditions to the Balkans, Greece, Turkey, Spain and Portugal.

Five-day forecast

It will become colder with morning frost in southern Scandinavia, central and eastern Europe. Dry and sunny conditions will prevail in western Europe, but Portugal will have rain on Tuesday which will spread across Spain on Wednesday. South-east Europe will become unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	12	Caracas	fair	30	Faro	sun	21	Madrid	fair	18
		Celsius	Belfast	rain	14	Cardiff	cloudy	15	Frankfurt	rain	14	Majorca	sun	23
Abu Dhabi	sun	32	Belgrade	fair	19	Casablanca	fair	23	Geneva	rain	15	Malta	fair	24
Accra	fair	31	Berlin	rain	10	Chicago	cloudy	8	Gibraltar	sun	21	Manchester	cloudy	14
Algiers	fair	26	Bermuda	shower	25	Cologne	cloudy	14	Glasgow	rain	12	Manila	shower	31
Amsterdam	fair	13	Bogota	cloudy	18	Dakar	fair	32	Hamburg	fair	9	Melbourne	cloudy	17
Athens	sun	20	Bombay	sun	35	Dallas	fair	22	Helsinki	fair	6	Mexico City	fair	24
Atlanta	sun	21	Brussels	fair	13	Delhi	sun	32	Hong Kong	fair	28	Miami	fair	28
B. Aires	fair	19	Budapest	shower	14	Dubai	sun	32	Honolulu	fair	29	Milan	rain	15
B.ham	cloudy	14	C.hagen	fair	9	Dublin	rain	15	Istanbul	fair	16	Montreal	fair	1
Bangkok	shower	30	Cairo	fair	25	Dubrovnik	shower	20	Jakarta	shower	32	Moscow	shower	4
Barcelona	fair	19	Cape Town	fair	27	Edinburgh	cloudy	12	Jersey	cloudy	15	Munich	rain	13
									Karachi	sun	34	Nairobi	cloudy	26
									Kuwait	sun	31	Naples	shower	21
									L. Angeles	sun	21	Nassau	fair	29
									Las Palmas	fair	26	New York	sun	8
									Lima	cloudy	22	Nice	fair	19
									Lisbon	fair	18	Nicosia	sun	23
									London	cloudy	15	Oslo	cloudy	4
									Lux.bourg	rain	13	Paris	drzzl	14
									Lyon	shower	18	Perth	fair	26
									Madeira	fair	23	Prague	rain	12

Rangoon	fair	32
Reykjavik	sun	2
Rio	fair	24
Rome	thund	22
S. Frsco	fair	19
Seoul	fair	14
Singapore	shower	32
Stockholm	fair	6
Strasbourg	drzzl	14
Sydney	shower	21
Tangier	fair	23
Tel Aviv	fair	24
Tokyo	fair	21
Toronto	fair	8
Vancouver	fair	9
Venice	rain	16
Vienna	cloudy	12
Warsaw	rain	10
Washington	fair	13
Wellington	rain	15
Winnipeg	fair	-3
Zurich	shower	13